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# Ports Canada

A N N U A L

R E P O R T

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## PORTS CANADA PROFILE

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belle-dune, Chicoutimi/Baie des Ha! Ha!, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic and more than 95 percent of container traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their own port. In providing a public

service, the ports are administered according to common commercial principles.

The Canada Ports Corporation's National Office is located in Ottawa.

*If you would like to receive a copy of the annual report, please write to Ports Canada, Corporate Services, 99 Metcalfe Street, Ottawa, Ontario K1A 0N6.*

*Pour recevoir ce rapport en français, prière de vous adresser à Ports Canada, Services de la Société, 99, rue Metcalfe, Ottawa (Ontario) K1A 0N6.*

## MESSAGE FROM THE CHAIRMAN OF THE BOARD

The *National Transportation Act* and the Free Trade Agreement are major events now having an impact on the Canadian transportation system. The purpose of the *National Transportation Act* was to encourage modes of transport in Canada to become more innovative and efficient with the objective of making Canadian industry more competitive in markets, at home and abroad. The Free Trade Agreement enhances north-south commerce and although we do not see an immediate direct impact on our ports, we anticipate an increase in activity as Canadian industry improves its competitive position with the new and enhanced economies of scale available in the continental market.

World trends in the delivery of manufactured goods indicate that highly competitive, cost effective intermodal delivery continuums are evolving, where just-in-time deliveries with point-to-point pricing win the carriage contracts.

Canadian transportation entities are in a catch-up transition period as they plan entry into the continental and global transportation systems that are emerging. Because our ports are rail dependant, our concern continues for the competitive viability of Canadian railroads vis-a-vis their US counterparts.

It is now apparent that Canadian railroads have difficulty competing with their US counterparts on long-distance container hauls. Our interest in the competitiveness of inland transportation continues because Ports Canada has, at the present time, \$500 million in its five-year capital plans, most of which is dependant on cost effective rail transportation. The market projections, on which these new capital programs are based, will have to be revised unless the federal and provincial governments cooperate to give the Canadian railway and trucking industries the adjustments they need in order to compete on equal terms with their US counterparts. We will continue to work at our catalyst role in seeking a resolution of matters that impact negatively on Canadian transport modes and thus their ability to serve our ports.

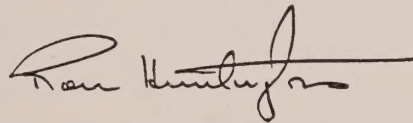
The Boards within the Ports Canada system continue to serve well their commercial and social obligations. The objective of financial self-sufficiency and the protection of assets carries a high priority with all boards in the system.

We continue to work for a more efficient and mature approval process, not only within the Ports Canada system, but, with the central agencies of government. In this regard, we continue with negotiations for amendments to delegated authorities and continue to seek consensus for amendments to the *Financial Administration Act*.

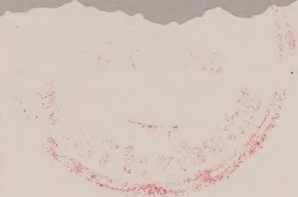
The Board of Directors was saddened by the passing of the Honourable Jean Marchand. Mr. Marchand was a valued and respected member of the Board, and was an active member of the Police Committee of the Board. He was greatly respected for the able way he represented the interests of the people of Québec and the Port of Québec. We miss Mr. Marchand and carry great respect for his donation to Canada.

On behalf of the Board of Directors, I thank the President, Mr. Jean Michel Tessier, officers and staff for the loyalty and dedication they continue to give to the Corporation and to the Ports Canada system.

We are pleased to congratulate the Honourable Benoît Bouchard, P.C., M.P. on his reappointment as Minister of Transport. We, in the Ports Canada system, look forward to a year of hard work and accomplishment under his able direction.



The Honourable A.R. Huntington  
Chairman of the Board





## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Major strides were made in 1988 on all fronts towards the achievement of the Corporation's objectives. The year marked my first full year as the President and Chief Executive Officer of the Canada Ports Corporation. My primary objective, set out upon my arrival in 1987, was the strengthening of the bond that ties the Ports Canada ports together. In the spirit of enhancing economies of synergy, all ports agreed upon a collective general liability insurance policy with attendant sizable savings in our overall insurance premiums.

In a similar vein, we received the shareholder blessing in our efforts to institute a dividend/interport loan mechanism that would see our dividend payments reduced, while enabling us to increasingly rely on our own funds for viable port projects. This was not an insignificant accomplishment as it confirmed our progress toward maturity in a measurable way. Consistent with this progress was our initiative to reassess our delegation of authority instrument in light of current realities and the renewed sense of vision for a port administration in which all Canadians would take pride. Negotiations are presently underway with the shareholder to arrive at a comprehensive delegation of authority package that would reduce the administrative burden on the government while ensuring sufficient flexibility to successfully meet the challenges of competition in the decades to come.

The eighties have been characterized by increased competition as new regulatory regimes were adopted both in Canada and the US. We are keenly aware of the competitive milieu in which our ports operate. Success in such an environment depends, to a large extent, on the ability of an organization to interpret fast-changing trends and respond to emerging opportunities in a proactive manner. Following a two-year study of every aspect of the North American container market, we completed our competitive strategy in the fall of 1988. The findings were then presented to a wide range of senior industry representatives from across the country with remarkable success. Confirming our

catalyst role, attention was drawn to the fragile nature of our competitive positioning with possible steps to prevent erosion of our recognized niche in some segments.

Important steps were taken to propagate the benefits of electronic data interchange (EDI) within the Ports Canada system and the entire marine community through the establishment of an EDI Committee composed of members of boards and staff of this Corporation as well as major LPCs. The objective of the Committee is to promote the use of EDI within and among Ports Canada ports, among port users and within the ocean and intermodal transportation industry. Through the activities of the EDI Committee, we intend to enhance our catalyst role in such a critical development.

For long, the significance of ports to national and regional economies were either unrecognized or ignored. Ports are major engines of economic progress. In recognition of this fact, Ports Canada took the lead and commissioned a study of the economic impact of our ports on a local, regional, and national level. A total of 55,445 direct and induced jobs, along with 392,000 related jobs, depend on our operations nation-wide, with a revenue impact of \$5.4 billion and personal income impact of \$2.7 billion.

The adoption of the free trade accord between Canada and the US marks the dawn of a new era for both countries. We must be able to adapt to new competitive forces to successfully meet the challenges imposed by the new environment. Canada has one of the most accomplished port systems in the world. We intend to do our share to ensure this lead is maintained.

Most divisional ports have been facing the challenge of marginal operating results. Following a comprehensive study of the viability of these ports, major efforts were made to identify viable alternatives to enhance business potentials, while at the same time keeping costs to a minimum. Bright prospects have emerged on the horizon for some, while soul searching must go on for others.

The greatest challenge of all is facing the Port of Churchill, which suffered a significant operational loss due to poor grain shipments. The Corporation is currently seeking viable alternatives to improve the port's financial performance. On a more



promising note, our elevator at the Port of Prescott was leased to Elders Grain. This reaffirmed our long-standing policy of close cooperation with the private sector and our support of the government's privatization program.

In accordance with my statutory obligation, it is a pleasure for me to inform the Board of Directors, and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

All in all, the year 1988 was marked with numerous bright spots. Our dedication to excellence, our determination to lead, and our resolve to succeed placed us on a path paved with excitement and challenge.

I must acknowledge a supportive Board of Directors, a cooperative port system and, above all, a dedicated staff, without whose contributions our achievements would have been pale.

Jean Michel Tessier  
President and Chief Executive Officer



## PORTS CANADA FINANCIAL REVIEW

Revenues from operations of Ports Canada amounted to \$171 million in 1988. Although the drought in the Prairies resulted in a disappointing year for grain traffic, the revenue level of 1987 was surpassed due to higher volumes in other commodities. Of particular note were marked revenue increases at Vancouver, Saint John and Halifax where substantial traffic gains were reported.

Operating expenses of \$143 million reflect stepped-up promotional efforts on the part of several ports, as well as continuing facilities maintenance and repair programs. Operating income of \$29 million was recorded for 1988 while funds from operations, being operating income before depreciation, were \$56 million. Investment income was \$21 million in 1988 reflecting a larger investment base at several ports, as well as an increase in the level of interest rates. Funds generated in this manner are slated for future capital projects and other requirements of Ports Canada.

The net income for Ports Canada, before the \$4 million share in the loss of Ridley Terminals Inc., was a record \$63 million in 1988. The significant improvement in net income included gains on sales of land of \$11 million, as well as a \$2 million adjustment to grants in lieu of municipal taxes.

In 1988, Ports Canada declared dividends of \$12 million based on the 1987 financial results. The Treasury Board has authorized that these dividend payments, as well as those to be made in 1989, be used to establish an interport loan fund. This fund will be administered by the Canada Ports Corporation on behalf of the eight Ports Canada corporations and will assist in providing financing for capital projects.

Ports Canada made capital expenditures of \$50 million during 1988, \$46 million of which was provided by working capital. Capital expenditures included the renovation and enlargement of port facilities at Montréal, Vancouver, Halifax, Sept-Îles, and Churchill.

## Ports Canada Five Year Financial Review

(in millions except for average number of employees and ratios)

	1988	1987	1986	1985	1984
<b>Financial results</b>					
Revenue from operations	\$ 171.1	\$ 169.9	\$ 159.9	\$ 153.7	\$ 157.1
Operating expenses	142.5	140.0	138.1	130.3	129.6
Operating income	28.6	29.9	21.8	23.4	27.5
Investment income — net	20.9	16.0	18.9	26.8	24.2
Net income before RTI*	62.9	46.1	42.1	51.9	57.8
Cash provided by operating activities	96.2	69.3	58.1	76.4	74.6
<b>Financial position at year end</b>					
Working capital	\$ 183.0	\$ 148.6	\$ 114.2	\$ 211.7	\$ 189.8
Fixed assets — at cost	1,056.9	1,015.4	990.1	962.3	914.0
Total assets	960.4	895.5	863.5	974.2	926.1
Equity of Canada	785.5	737.4	227.8	322.3	275.3
Capital expenditures	\$ 49.7	\$ 33.8	\$ 50.2	\$ 64.1	\$ 96.6
<b>Federal capital financing</b>					
Grants	\$ 2.8	\$ 2.1	\$ 13.5	\$ 14.3	\$ 35.4
Loans	1.0	1.0	4.1	5.2	4.9
Recoverable contribution	—	—	—	—	0.4
<b>Employees</b>					
Average number of employees	1,291	1,344	1,452	1,517	1,637
<b>Ratios</b>					
Operating revenue/tonne	\$ 0.92	\$ 0.98	\$ 0.99	\$ 0.99	\$ 0.95
Tonnes/employee	144,711	129,455	110,840	102,307	100,672
Cash from operating activities/ total assets	10.0%	7.7%	6.7%	7.8%	8.1%

\* Ridley Terminals Inc.

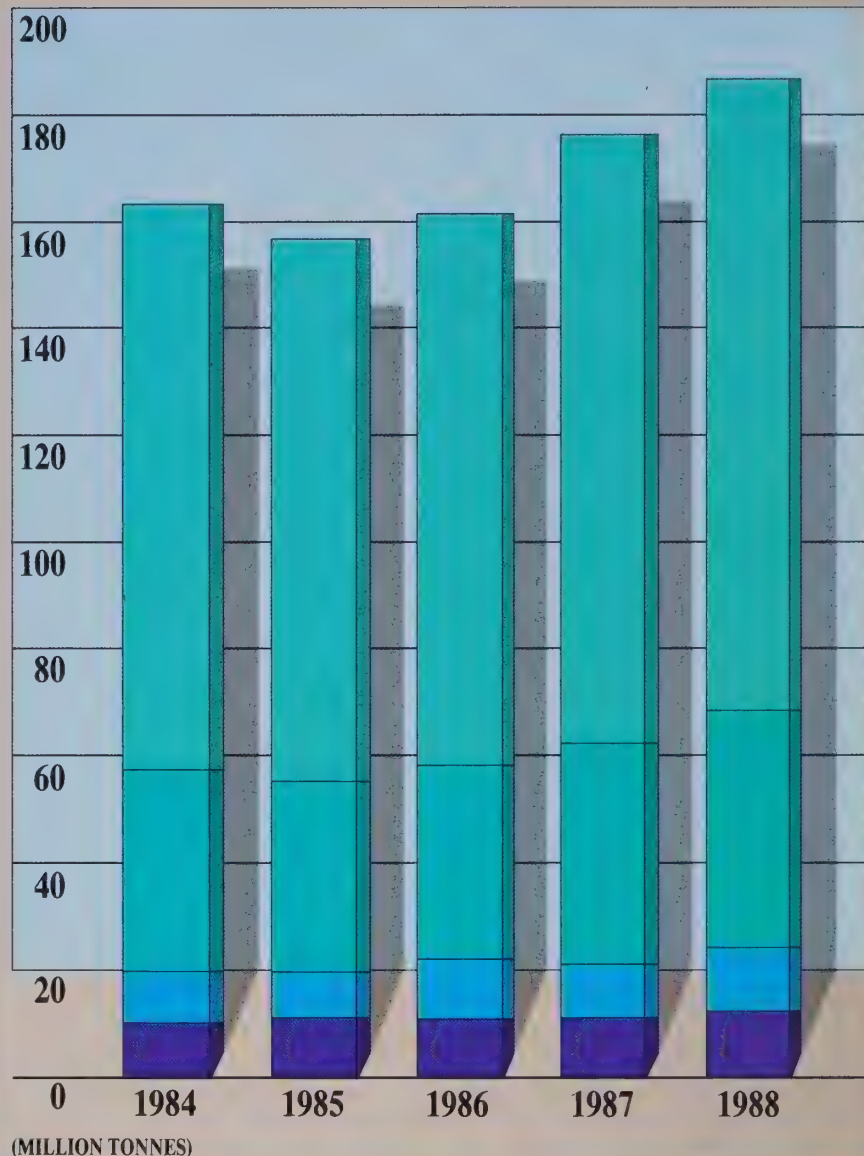
## PORTS CANADA REVIEW OF TRAFFIC

Total 1988 cargo volume through the Ports Canada system, including private facilities located within the harbour limits, and Ports Canada berths, was up 7.4-percent over 1987 to 186.8 million tonnes from 174 million tonnes. Of this total, 156.3 million tonnes were handled collectively by the seven local port corporations and 30.5 million tonnes by the Canada Ports Corporation. The major portion of this growth was accounted for by an increase in coal traffic through the ports of Vancouver, Québec and Prince Rupert. Other areas of growth in tonnage across the port system were liquid bulk (including petroleum) and containerized cargo.

Total tonnage handled through Ports Canada berths in 1988 was 82.7 million tonnes, up from 79.4 million tonnes recorded in 1987. The seven local port corporations handled 78.8 million tonnes, up 5.2-percent from 74.9 million tonnes handled the previous year. Total tonnage through the Canada Ports Corporation was down in 1988 to 3.9 million tonnes from 4.5 million tonnes in 1987.

Total grain shipments handled across the Ports Canada system were down 18-percent from 31.7 million tonnes in 1987 to 26 million tonnes in 1988. The ports of Churchill, Montréal, Prince Rupert, Québec and Trois-Rivières were particularly hard hit by the Prairie drought which reduced western grain production significantly. The major markets for Canadian grain are China, the Soviet Union and Japan which account for over half of all exports. The remainder of Canadian grain is sold to over eighty other countries world-wide.

Coal shipments increased significantly to 32 million tonnes from 25.4 million tonnes in 1987. This 26-percent increase was attributed to a healthier global economy, which resulted in a 10-percent increase in crude steel production in the western world and a 9-percent increase in Japan over the previous year. As well, with production problems in Australia and China, the producers in these two countries were unable to meet demand, which further increased opportunities for Canadian coal.



## FIVE YEAR REVIEW OF TRAFFIC

LIQUID BULK GRAIN COAL OTHER

A record 12.5 million tonnes of containerized traffic, or 1.4 million TEUs (twenty-foot equivalent units) were handled through Ports Canada facilities, up from 11.2 million tonnes in 1987. The Port of Halifax led the way with a growth of 27-percent from the previous year, followed by Vancouver with an increase of 14-percent and Montréal with an increase

of 4-percent. Containerized traffic remains strong although there continues to be concern over the potential for greater diversion of Canadian cargo through US ports. Non-containerized cargo has also maintained good momentum with year-end volumes running 11-percent ahead of last year.



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## CANADA PORTS CORPORATION

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### PERFORMANCE HIGHLIGHTS

Iron ore at Sept-Îles increased by 1.8 million tonnes, or 10 percent, to 20.2 million tonnes in 1988.

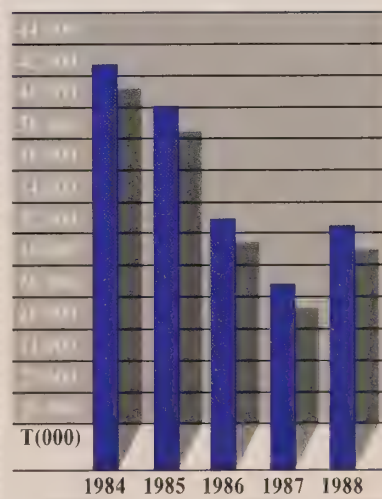
Total liquid bulk increased by 17 percent to 1.4 million tonnes.

Grain traffic for 1988 totalled 1.6 million tonnes, down from 2.7 million tonnes in the previous year.

Operating revenue for 1988 was \$7 million.

The Corporation paid a dividend of \$126,000 with respect to the 1987 financial year.

### TOTAL TRAFFIC





## CANADA PORTS CORPORATION

In addition to the establishment of local port corporations at ports which meet specific criteria, the 1983 *Canada Ports Corporation Act* also provided for the administration of non-corporate ports, now collectively referred to as Divisional Ports. Presently the ports of Belledune, Chicoutimi/Baie des Ha! Ha!, Churchill, Port Colborne, Prescott, Sept-Îles, and Trois-Rivières are included.

Divisional Ports play a key role in their respective regional and local economies. Local industries are dependent on facilities provided by these ports which are often the primary link to both national and international markets. Dry bulk handled include important resource products such as grain, salt, various mineral ores and coal. Liquid bulk is made up primarily of petroleum products. Forest products are important examples of general cargo handled at some of these ports.

Divisional Ports are an integral part of the Ports Canada system. While their sphere of influence may be more regional than national, the overall economic and social health of the community is clearly linked to the port.

During 1988, Canada Ports Corporation developed a computerized model that measures the economic benefits of the freight handling activities at its ports to the local, provincial, regional and national economies. While the degree of impact varies according to the nature and method of handling for different cargoes, the overall impact is significant for direct and induced employment income and revenue, as well as for taxes paid to the various levels of government.

## TRAFFIC REVIEW

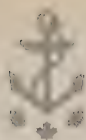
Divisional Ports handled a total of 30.5 million tonnes, an increase of 14 percent from the 1987 level of 26.7 million tonnes, bringing the ports back to their old level. Traffic had decreased by the identical percentage over the previous year. This tonnage represents 16.3 percent of the total traffic handled by the Ports Canada system. Of the 30.5 million tonnes, 3.9 million tonnes, or close to 13 percent, was handled at terminal facilities owned by the Corporation. The corresponding 1987 figure was 4.5 million tonnes, or 17 percent.

The upturn in total port traffic can be accounted for largely by significant increases in non-grain traffic at the ports of Sept-Îles and Chicoutimi/Baie des Ha! Ha!, in spite of substantial declines in grain handled at the ports of Churchill, Trois-Rivières and Prescott. Iron ore at Sept-Îles increased by 1.8 million tonnes, or 10 percent, from 18.4 million tonnes in 1987 to 20.2 million tonnes in 1988. Ship-to-ship transfer of coal also returned to Sept-Îles in 1988, exceeding the 1986 level of 838,000 tonnes.

Liquid bulk, mostly petroleum products, increased by close to 17 percent from 1.2 million tonnes in 1987 to 1.4 million tonnes in 1988, and other non-bulk increased marginally overall.

The big loser, however, was grain, which decreased by 41 percent from 2.7 million tonnes in 1987 to 1.6 million tonnes in 1988.

Accounting for  
16.3 percent of total  
Ports Canada traffic,  
Divisional Ports  
handled 30.5 million  
tonnes in 1988, up  
14 percent from 1987.



## FINANCIAL OVERVIEW

Overall port performance depends on both the volume and mix of cargo handled. Although total traffic increased this year, the major decline in grain shipments through several ports has had a major negative impact on final operating results.

**Revenue from Operations:** Operating revenue for 1988 was \$7 million, down 47.4 percent from the 1987 level of \$13.3 million. This substantial decline largely reflects the loss of grain shipments due to Prairie drought conditions, especially as it affected the ports of Churchill and Trois-Rivières.

**Operating Expense:** In response to efforts to curtail costs, operating expense decreased by \$1.7 million or 11.6 percent, to \$13 million in 1988 from \$14.7 million in 1987. While all categories of operating expense were favourably affected, declines were not sufficient in magnitude to offset the significant decline in revenue.

**Loss from Operations:** Loss from operations before depreciation amounted to \$3.4 million, compared to \$1.4 million income from operations in 1987. Provision for depreciation of \$2.6 million resulted in an operating loss of \$6 million for 1988, compared to an operating loss of \$1.4 million in 1987.

**Investment Income:** Investment income of \$4.8 million was up 8.7 percent from the 1987 figure of \$4.4 million, due to an increase in investment yields for the period.

**Net Income:** Prior to accounting for its share of the loss incurred by Ridley Terminals Inc., the Corporation suffered a net loss of \$1.3 million, compared to a net income of \$2.9 million in 1987. The 1988 loss recorded on its investment in Ridley Terminals Inc. was \$4.4 million compared to \$4 million in 1987. Consequently, the total net loss of the Corporation in 1988 was \$5.7 million compared to a net loss of \$1.1 million in 1987.

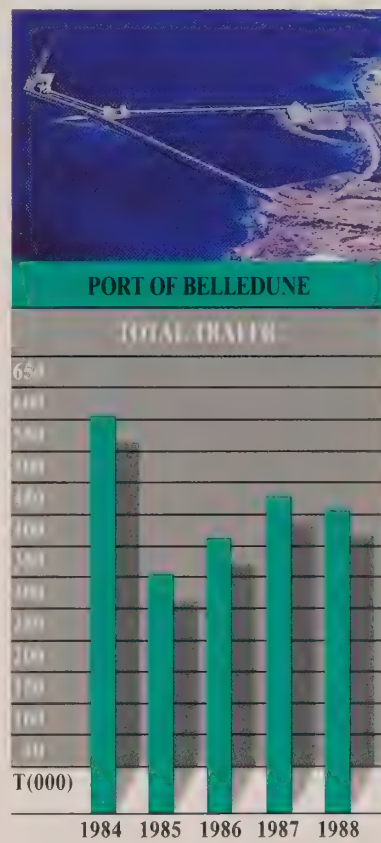
**Dividend:** The Corporation paid a dividend of \$126,000 with respect to the 1987 financial year.

**Capital Investments:** The Corporation spent a total of \$4.4 million on fixed assets in 1988, compared to \$3.5 million in 1987. Grant funding was provided by the federal government for the completion of Pointe-Noire facilities at the Port of Sept-Îles, amounting to \$1.5 million, and dust control and electrification at the Port of Churchill, amounting to \$1.3 million.

**Principal Operations:** The principal operations of the Canada Ports Corporation are defined by the activities of the Divisional Ports.

## BELLEDUNE

The Port of Belledune, located in north-eastern New Brunswick, is a bulk-loading terminal used primarily by Brunswick Mining and Smelting. Other major users include Chaleur Fertilizer and Shell Canada. Total traffic decreased by 5 percent, from 425,000 tonnes to 404,000 tonnes, accounted for largely by phosphate and petroleum products. The drop occurred mainly as a result of depressed world grain prices having a negative impact on the export of bulk fer-





tilizers. Total dry bulk was relatively unchanged in 1988 to 311,000 tonnes. Liquid bulk, mainly petroleum products, was down 26.5 percent to 72,000 tonnes from 98,000 tonnes in 1987, however lead ingots doubled to 24,000 tonnes following improvements to loading facilities.

Total operating revenue was \$237,000 compared to \$200,000 in 1987. Operating expense was down to \$129,000 from \$224,000 in 1987. An operating income of \$107,000 was achieved, compared to a loss in 1987 of \$25,000. The port had a net income of \$113,000 instead of a net loss of \$34,000 in 1987.

### PORTS OF CHICOUTIMI/BAIE DES HA! HA!

The Port of Chicoutimi, located at the mouth of the Saguenay River, is an important economic and transportation center, playing a key role among the regions resource-based industry. The port is linked directly to private wharf facilities owned by Alcan at Baie des Ha! Ha! where commodities used in the production of aluminum are handled.

Total traffic at the Port of Chicoutimi increased by 12 percent to 487,000 tonnes compared to 434,000 tonnes in 1987, including general cargo at Pointe-à-l'Islet and Grande-Anse. Both liquid bulk and dry bulk cargo increased. Only coal decreased slightly to 30,000 from 31,000 tonnes in 1987.

Total revenue increased slightly from \$1 million in 1987 to \$1.2 million in 1988, thereby regaining its 1986 level. Operating loss was \$31,000 compared to an operating loss of \$15,000 in 1987. Net income was \$509,000, slightly higher than \$453,000 in 1987.

In Baie des Ha! Ha!, total traffic was up 15 percent from 3.3 million tonnes in 1987 to 3.8 million tonnes in 1988. Bulk and liquid traffic increased, but no coal was handled. Other traffic declined from 278,000 tonnes to 245,000 tonnes.

Total revenue was \$144,000 compared to \$112,000 in 1987, an increase of 28.6 percent. Operating income increased to \$77,000 from \$7,000 in 1987, while a net income of \$96,000 was achieved in relation to the 1987 net income of \$19,000.

The year 1988 was an excellent year overall for this port.

### PORT OF CHURCHILL

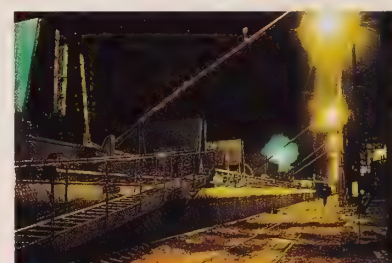
The Port of Churchill, our Arctic port located on the western shore of Hudson Bay, came close in 1988 to not playing its traditional role as an outlet for western Canadian grain. The port handled only 50,000 tonnes of grain compared to 569,000 tonnes in 1987, less than 10 percent. Traffic related to resupply and petroleum distribution enjoyed a record year, however, overall port results were the worst ever.

Meanwhile, major projects, including dust control and electrification, for which federal funds in the amount of \$1.3 million were provided, continued toward completion during 1988. A new winter berth for the tug "H.M. Wilson" and the installation of cleaners were also undertaken.

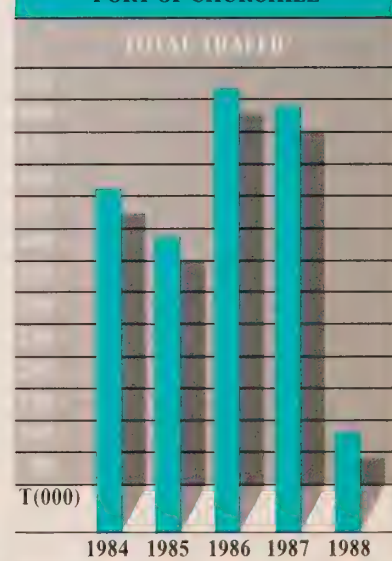
Total operating revenue at \$1.1 million was down by 84 percent from the 1987 figure of \$6.8 million. Operating loss was \$4.7 million compared to a 1987

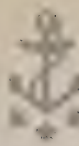


PORTS OF CHICOUTIMI/BAIE DES HA! HA!



PORT OF CHURCHILL





operating loss of only \$342,000. The 1988 net loss was a staggering \$4.1 million compared to a net income of \$239,000 in 1987.

The good news is that the Port of Churchill handled its first cruise vessel during the 1988 operating season. A total of 266 passengers on board the "M.V. Discoverer" visited the port as part of a return trip between Iceland and Churchill. Plans are being made for a similar trip during 1989.

## PORT COLBORNE

The year 1988 represented the second full year of operations since the grain elevator at Port Colborne, located at the south-end of the Welland Canal, was leased on a long-term basis to Goderich Elevators Limited of Ontario.

Total port traffic, consisting entirely of domestic grain movements, decreased by 42 percent to 54,000 tonnes from 93,000 tonnes in 1987.

Tenders were called during 1988 for the construction of a breakwater protection system and for the dredging of a small craft basin. This is part of the development of a 960-berth, full-service marina for transient and seasonal pleasure crafts at Gravelly Bay. The development, this phase of which will cost \$1.5 million and is to be completed in 1989, is being funded by the Small Craft Harbours Directorate of Fisheries and Oceans.

Total operating revenue was down 10 percent at \$98,000 compared to \$109,000 in 1987. The 1988 operating loss was \$340,000, or 41 percent less than an operating loss of \$574,000 in 1987. A net income of \$116,000 was achieved during 1988 instead of a net loss in 1987 of \$159,000.

## PORT OF PRESCOTT

The primary function of the Port of Prescott, located 200 km west of Montréal on the St. Lawrence River, is the handling of grain through its 154,000 tonne elevator. Effective May, 1988, the elevator was leased for a five-year period, with options to renew for up to 20 years, to Elders Grain Company Limited, a division of Elders IXL, a well-known Australian multinational company. Under the lease agreement, Elders will undertake to stimulate through various means, the most effective use of the facility including the cleaning, drying and bagging as required for domestic and export markets. Canada Ports Corporation will continue to operate the port consisting of two berths and a warehouse, for commodities other than grain, including salt.

Grain traffic, which makes up 67 percent of total port traffic, amounted to 197,000 tonnes, down 26 percent from the 1987 level of 265,000 tonnes. Overall port traffic decreased 16 percent from 349,000 tonnes in 1987 to 294,000 tonnes in 1988.

Capital expenditures in the amount of \$445,000 included a new salt pad which, subject to environmental approval, will accommodate an additional 100,000 tonnes of this cargo in 1989.

Total operating revenue was \$1.2 million compared to \$2.3 million in 1987, a decline of close to 50 percent. The operating loss for the period was \$617,000,



PORT COLBORNE



PORT OF PRESCOTT



up by a factor of four from the 1987 operating loss of \$154,000. The 1988 net income was \$965,000, down 26 percent from the 1987 net income of \$1.3 million.

### PORT OF SEPT-ÎLES

The Port of Sept-Îles is a deepwater port located on the north shore of the St. Lawrence River, 650 km east of Québec City. It serves the mining industry of Quebec and Labrador, with iron ore accounting for 90 percent of cargo handled by the port.

Total port traffic increased 21 percent from 19.3 million tonnes in 1987 to 23.4 million tonnes in 1988, the highest tonnage since 1982. This increase was due primarily to increased iron ore shipments by the Iron Ore Company of Canada and Wabush Mines from 18.4 million tonnes in 1987 to 20.2 million tonnes in 1988. The year also saw the return of the ship-to-ship transfer of coal which amounted to 873,000 tonnes, almost a 10 percent increase over even the last throughput of 838,000 tonnes in 1986. No coal was transhipped in 1987.

In June, 1988, the Ports Canada wharf at Pointe-Noire was officially named "Relance", and will be equipped with modern conveyor systems to accommodate other bulk cargoes. The port handled 693 vessels in 1988 compared to 609 in 1987.

Total operating revenue was \$1.1 million, identical to 1986, but up by 25 percent from the level of \$878,000 in 1987. The 1988 operating loss was \$169,000 compared with an operating loss of \$271,000 in 1987. Net income for the year increased by 86 percent from \$91,000 in 1987 to \$169,000.

### PORT OF TROIS-RIVIÈRES

The Port of Trois-Rivières is strategically located on the north shore of the St. Lawrence River, midway between Montréal and Québec City. It handles a wide variety of cargoes common to the region including grain, forest products, mineral ores, and petroleum products. Grain, however, accounts for over 80 percent of total traffic.

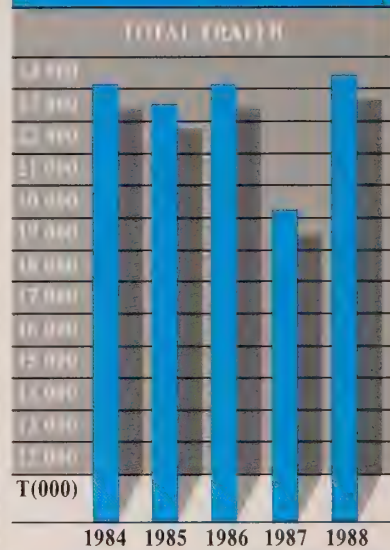
Total port traffic was 2 million tonnes, a decline of 9 percent from 2.2 million tonnes handled in 1987. Grain was down 28 percent from 1.8 million tonnes in 1987 to 1.3 million tonnes in 1988. Other cargo tripled from 94,000 tonnes in 1987 to 285,000 tonnes in 1988, including zinc, salt and fertilizer. Liquid bulk was up by 18 percent to 248,000 tonnes, including petroleum products and caustic soda. The port handled approximately 126,000 tonnes of general cargo, 90 percent of which was paper, up 18 percent from 107,000 tonnes in 1987. Not counting grain, total port traffic grew 61 percent over the previous period. A total of 386 vessels were handled in 1988.

Total operating revenue remained stable at \$1.9 million. An operating loss of \$168,000 was incurred compared with an operating income in 1987 of \$173,000. The port had a net income of \$767,000 for this period instead of net income in 1987 of \$993,000.

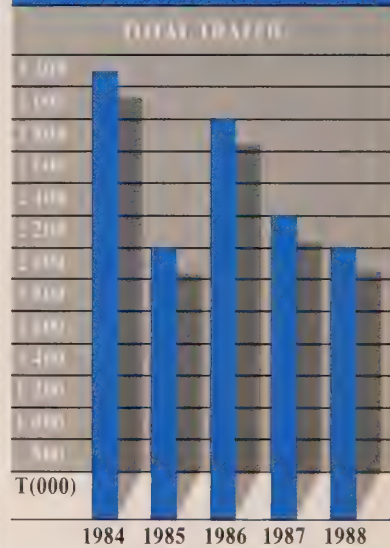
An economic impact analysis carried out in 1988 showed that the port created 345 direct jobs during the year and contributed \$37 million to the economy.



PORT OF SEPT-ÎLES



PORT OF TROIS-RIVIÈRES





## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.  
Minister of Transport

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1988 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Coopers & Lybrand*

Chartered Accountants  
Ottawa, Ontario  
February 17, 1989

## Balance Sheet as at December 31, 1988

(in thousands of dollars)

Assets	1988	1987
Current		
Cash	\$ 348	\$ 351
Investments (Note 3)	39,925	26,715
Accounts receivable	1,597	2,303
Due from Canada	2,482	1,940
Materials and supplies	239	338
	<u>44,591</u>	<u>31,647</u>
Investments (Note 3)	18,361	18,293
Investment in Ridley Terminals Inc. (Note 4)	3,083	7,465
Fixed assets (Note 6)	<u>36,894</u>	<u>38,009</u>
	<u>\$102,929</u>	<u>\$95,414</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 3,908	\$ 3,268
Grants in lieu of municipal taxes	898	542
Due to Canada (Note 8)	<u>12,668</u>	<u>—</u>
	<u>17,474</u>	<u>3,810</u>
Accrued employee benefits	1,171	1,392
Loans from Canada (Note 9)	<u>1,406</u>	<u>1,487</u>
	<u>2,577</u>	<u>2,879</u>
Equity of Canada		
Contributed capital	73,638	73,638
Retained earnings	<u>9,240</u>	<u>15,087</u>
	<u>82,878</u>	<u>88,725</u>
	<u>\$102,929</u>	<u>\$95,414</u>

On behalf of the Board:

*Ran Huntington*

The Honourable A.R. Huntington  
Chairman

*J. M. Tessier*

Jean Michel Tessier  
President and  
Chief Executive Officer



## Statement of Income and Retained Earnings

(in thousands of dollars)

for the year ended December 31, 1988	1988	1987
Revenue from operations	\$ 7,026	\$13,331
Operating and administrative expenses — net	9,288	10,677
Depreciation	2,592	2,822
Grants in lieu of municipal taxes	1,117	1,202
	<u>12,997</u>	<u>14,701</u>
Net loss from operations	(5,971)	(1,370)
Investment income	4,750	4,368
Interest expense	(118)	(123)
Net income (loss) before the undernoted item	(1,339)	2,875
Share in loss of Ridley Terminals Inc. (Note 4)	(4,382)	(3,994)
Net loss	(5,721)	(1,119)
Retained earnings at beginning of the year, as restated (Note 4)	15,087	17,211
Dividend to Canada (Note 8)	(126)	(1,005)
Retained earnings at end of the year	<u>\$ 9,240</u>	<u>\$15,087</u>

## Statement of Changes in Financial Position

(in thousands of dollars)

for the year ended December 31, 1988	1988	1987
Operating Activities		
Net loss	\$ (5,721)	\$ (1,119)
Items not affecting cash		
Depreciation	2,592	2,822
Share in loss of Ridley Terminals Inc.	4,382	3,994
Other	(218)	95
Decrease (increase) in operating components of working capital	13,927	(4,358)
Cash provided by operating activities	<u>14,962</u>	<u>1,434</u>
Financing Activities		
Capital grants	2,775	2,144
Loans from Canada	(81)	(75)
Dividend to Canada	(126)	(1,005)
Cash provided by financing activities	<u>2,568</u>	<u>1,064</u>
Investing Activities		
Additions to fixed assets	4,353	3,517
Proceeds on disposal of fixed assets	(30)	4
Cash required by investing activities	<u>4,323</u>	<u>3,521</u>
Increase (decrease) in cash and short-term investments	13,207	(1,023)
Cash and short-term investments at beginning of the year	27,066	28,089
Cash and short-term investments at end of the year	<u>\$40,273</u>	<u>\$27,066</u>

## Notes to Financial Statements

December 31, 1988

### 1 Canada Ports Corporation Act

Canada Ports Corporation is established under the *Canada Ports Corporation Act*. The Act provides for the establishment of

local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

### 2

## Significant accounting policies

### (a) Financial statements

The financial statements of the Corporation include the accounts of all the ports and other facilities under its administration. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

### (b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

### (c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

### (d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

### (e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

### (f) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.



#### *(g) Employee benefits*

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

#### **Investments**

Investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. As at December 31, 1988, and 1987, the market value of the current investments approximates their amortized cost. At December 31, 1988, the market value of the long-term investments is \$20,232,000 (\$20,248,000 in 1987).

#### **Investment in Ridley Terminals Inc.**

Ridley Terminals Inc. ("RTI") was incorporated on December 18, 1981, under the *Canada Business Corporations Act* for the purpose of constructing and operating coal terminal facilities on Ridley Island in Prince Rupert, British Columbia. RTI is exempt from income taxes.

RTI's throughput revenue is currently dependent upon the production of two coal producers. The coal producer who currently ships the larger tonnage through RTI's facilities has entered into a price arbitration process with its customers. The results of this arbitration process could have a significant economic impact on the coal producer, which in turn could affect the relations of RTI with this customer. The continued operations of RTI and the current carrying value of its terminal facility are dependent on a viable level of coal throughput from its customers and continued financial support from the Government of Canada.

At December 31, 1988, the Corporation had acquired, at a cost of \$23,021,400, 90% of the issued common shares (\$900) and 100% of the Class A preference shares (\$23,020,500) of RTI. As of that date, Fednav Limited had acquired, at a cost of \$23,020,600, 10% of the issued common shares (\$100) and 100% of the Class B preference shares (\$23,020,500) of RTI.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The annual dividend of 20% on the Class B preference shares is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profits taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates on dividends accrued but not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1988, calculated at tax rates prevailing as at that date with respect to the Class B shares amount to:

(in thousands of dollars)

	1988	1987
Class A preference shares held by Canada Ports Corporation	\$ 37,452	\$27,835
Class B preference shares held by Fednav Limited	81,853	65,847
	<b>\$119,305</b>	<b>\$93,682</b>

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method for years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity of RTI which, at December 31, 1988, was 50%. For years in which

RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

The investment in Ridley Terminals Inc. is composed of:

(in thousands of dollars)

	1988	1987
Balance at beginning of the year	\$7,465	\$11,459
Share in loss	(4,382)	(3,994)
Balance at end of the year	<b>\$3,083</b>	<b>\$ 7,465</b>



In 1987, RTI negotiated a reduction of \$644,000 in the property tax assessment for 1985. The Corporation's retained earnings as at January 1, 1987, have been adjusted by \$322,000 representing its 50% share of the amount received.

A summary of the balance sheet of RTI as at December 31, as reported in its audited financial statements shows:

	(in thousands of dollars)	
	1988	1987
<b>Assets</b>		
Current	\$ 4,772	\$ 1,786
Fixed	213,311	219,245
Other	67	75
	<u>\$218,150</u>	<u>\$221,106</u>
<b>Liabilities</b>		
Current	\$ 3,481	\$ 1,387
Long-term debt	207,323	203,608
	<u>210,804</u>	<u>204,995</u>
<b>Equity</b>	<u>7,346</u>	<u>16,111</u>
	<u>\$218,150</u>	<u>\$221,106</u>

RTI has two long-term financing agreements with a major Canadian bank as follows:

(a) a construction credit loan agreement which is guaranteed unconditionally by Canada and is further secured by a \$250,000,000 subordinate fixed and floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 through January 31, 2000. Interest on any bank loan is at the bank's prime rate, payable monthly. The Bankers' Acceptance fee is currently  $1\frac{1}{2}\%$  per annum.

(b) a revolving credit loan agreement which provides an \$80,000,000 credit facility for advances on a revolving basis until June 30, 1989 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments commencing July 31, 1989 through January 31, 1992. Interest on the bank loans is at the bank's prime rate plus  $1\frac{1}{4}\%$  per annum, payable monthly. The Bankers' Acceptance fee is currently  $3\frac{3}{4}\%$  per annum.

This agreement is secured by a \$350,000,000 first fixed and floating charge collateral demand debenture with the terminal facility as security and an assignment of the lease from the Prince Rupert Port Corporation.



As at December 31, 1988, drawings under these agreements were as follows:

	(in thousands of dollars)	
	1988	1987
(a) Construction credit loan agreement — Bankers' acceptances, net of unamortized interest charges	\$198,818	\$198,625
(b) Revolving credit loan agreement — Bank loans	1,800	1,000
Bankers' acceptances, net of unamortized interest charges	7,930	3,983
	208,548	203,608
Less: Current portion of long-term debt	1,225	—
	\$207,323	\$203,608

Based on the amounts borrowed under the credit facilities as at December 31, 1988, annual principal repayments over the next five years amount to \$1,225,000 in 1989, \$3,185,000 in 1990, \$8,662,500 in 1991, \$11,690,000 in 1992 and \$14,962,500 in 1993.

The results of operations of RTI for the year ended December 31, 1988, in comparison with the year ended December 31, 1987, are as follows:

	(in thousands of dollars)	
	1988	1987
Revenue from operations	\$30,676	\$27,625
Operating and administrative expenses	12,675	11,736
Depreciation	6,746	6,530
Interest expense	20,020	17,348
	39,441	35,614
Net loss	\$ (8,765)	\$ (7,989)

## 5 Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority ("the Authority") is indebted in the amount of \$13,921,000 (1987 — \$14,041,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, Appropriation Act No. 7, 1967, 1967-68, c.8. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada, in effect, has guaranteed the repayment of both principal and interest on the debentures. Accordingly, the debentures received have been offset against the advances and loans payable to Canada such that they are not reflected as an asset and a liability on the balance sheet. Interest income and expense of \$955,000 (1987 — \$964,000) have been similarly offset and do not appear in the statement of income and retained earnings.

On July 9, 1981, the Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of the Authority as well as the equivalent loan payable to Canada from the accounts of the Corporation to those of Transport Canada. As at December 31, 1988, Transport Canada has not completed the transfer.

**6 Fixed assets***(a) Summary**(in thousands of dollars)*

		1988		1987	
	Depreciation rates %	Cost	Accumulated depreciation	Net	Net
Land	—	\$ 4,426	\$ —	\$ 4,426	\$ 4,419
Dredging	2.5-6.7	9,489	5,688	3,801	4,112
Berthing structures	2.5-10	34,542	16,978	17,564	18,003
Buildings	2.5-10	15,778	11,937	3,841	4,054
Utilities	3.3-10	2,811	1,345	1,466	1,531
Roads and surfaces	2.5-10	2,273	1,597	676	705
Machinery and equipment	5-100	18,864	15,059	3,805	4,209
Office furniture and equipment	20	3,080	2,471	609	320
Works under construction	—	706	—	706	656
		<b>\$91,969</b>	<b>\$55,075</b>	<b>\$36,894</b>	<b>\$38,009</b>

*(b) Capital grants*

During the year, the Corporation received capital grants totalling \$2,775,000 (1987 — \$2,144,000) towards the construction of fixed assets.

*(c) Capital expenditure commitments*

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$2,077,000, of which most will be expended in the year ending December 31, 1989.

**7 Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are deferred revenues for \$467,000 (1987 — \$144,000) and current portion of long-term liabilities for \$81,000 (1987 — \$75,000).

**8 Due to Canada**

During the year, the Treasury Board authorized that the dividend payments to be made in 1988 and 1989 by Canada Ports Corporation and the local port corporations, be used to establish an interport loan fund. This fund will be administered by the Corporation and will assist in providing financing of capital projects of the Ports Canada corporations.

As at December 31, 1988, the Corporation held \$12,668,000 representing the dividend payments made in 1988 and interest earned thereon, pending approval by Canada of the establishment of the interport loan fund in 1989. The funds have been invested in direct and guaranteed securities of Canada and are included in the current investments on the balance sheet of the Corporation.

**9 Loans from Canada***(in thousands of dollars)*

	1988	1987
Loans bearing interest at 6.44% and 9.09%, repayable in blended annual instalments of principal and interest of \$193,000 and maturing on December 31, 2000	\$1,487	\$1,562
Less: current portion	(81)	(75)
	<b>\$1,406</b>	<b>\$1,487</b>

Principal repayment requirements over the next five years amount to \$81,000 in 1989, \$87,000 in 1990, \$93,000 in 1991, \$100,000 in 1992 and \$108,000 in 1993.

**10 Contingencies**

Claims aggregating approximately \$1,897,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.



## HALIFAX PORT CORPORATION

### PERFORMANCE HIGHLIGHTS

Total cargo volume over HPC facilities registered another consecutive record year with an increase of 11% to 4.6 million tonnes.

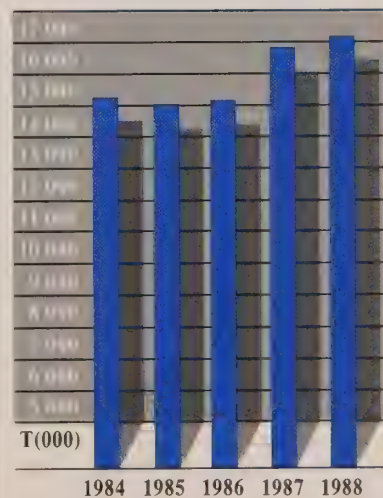
Container cargo over HPC facilities registered another consecutive record year with an increase of 27% to 3.5 million tonnes.

Market share of the Canadian east coast container market increased from 33.6% in 1987 to 37.6% in 1988.

Completion of 50 metre berth extension at Pier C at a cost of \$4.4 million.

Approval to proceed with the redevelopment of Pier B at an estimated cost of \$4.7 million.

### TOTAL TONNAGE



## JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Halifax Port Corporation is very pleased to report on its most successful year in the history of the port. A strategic location for Canadian imports and exports, the Port of Halifax provides competitive services and prices to the more than thirty shipping lines which call at the port on scheduled and non-regular services.

As the second largest container port in Canada, the Port of Halifax is a gateway for movement of Canadian products. The port's investment in terminals and wharf infrastructure will provide assurance that it will continue to have the capability of handling the world's largest container vessels, in addition to dry and liquid tankers, and general cargo vessels.

A recent Special Examination was undertaken, in accordance with the *Financial Administration Act*; this "management audit" reported that there were no significant deficiencies in the management of the Halifax Port Corporation. The Corporation is committed to its objectives in the provision of an efficient port system, one which ensures fast turnaround of vessels at competitive costs. In 1988, the Corporation achieved, and in most cases, exceeded its objectives with respect to business activity.

One major accomplishment in 1988 has been the increase in the port's market share of the east coast Canadian container market. The port recorded a 37.6 percent share in 1988, representing an increase of four percentage points.

### Capital Expenditures

Capital expenditures in 1988 amounted to \$4.9 million, of which \$4.2 million was expended in completing the Pier "C" Berth Extension, to enhance the operation of the port's first container terminal.

Contracts were also awarded in 1988 for the removal of transit sheds in Pier "B"; other components of this project will include dredging the berth, regrading and resurfacing the area, placement of gantry crane rails, all due for completion by August, 1989. This facility will become the port's third container terminal, and is required to provide added capacity to handle the ever increasing volumes of cargo through the port. Total project cost is estimated at \$4.7 million. Over the past ten years, the port has invested \$57.4 million in capital projects for new and upgraded facilities.

### Cargo Highlights

A record level of cargo tonnage moved through the port in 1988, totalling 16.2 million tonnes, up from the previous record of 15.8 million tonnes set in 1987. Exports of gypsum increased by 5.7 percent to 3.2 million tonnes in 1988, while crude and refined oils amounted to 8.3 million tonnes, a slight decline from the 8.5 million tonnes recorded in 1987.

For the third consecutive year, containerized cargo reached a new record in 1988. The port recorded 3.5 million tonnes of containerized cargo, for an increase of 26.7 percent over the previous record of 2.8 million tonnes set in 1987. Over the last three years, containerized cargo has increased by over 81 percent.

### Financial Results

Revenue from operations amounted to \$14.8 million, up from the \$12.9 million in 1987, particularly due to the record cargo levels. Total expenses were \$11.9 million, as compared to \$11.2 million in 1987. Income from operations rose to \$2.9 million, an increase of 69.5 percent from 1987. Net income was \$3.4 million, an increase of \$1.7 million from the preceding year.

The Corporation's working capital remained relatively unchanged during the year, although short-term investments increased by \$0.17 million. This increase was the result of improved cash flow from operations.



Donald A. Parker

David F. Bellefontaine

### Personal Contributions

The team approach at the Port of Halifax has once again paid dividends; the dedication of all those individuals and marine related organizations, waterfront labor, and Corporation staff, are responsible for the port's success record in 1988.

We anticipate a solid future for the Port of Halifax, as a Gateway to Canada, and we challenge all those involved in the port to break new cargo and productivity records in the years ahead.

Donald A. Parker  
Chairman of the Board

David F. Bellefontaine  
President and Chief Executive Officer



## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1988 and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Chartered Accountants  
Halifax, Nova Scotia  
February 2, 1989

## Balance Sheet as at December 31, 1988

Assets	1988	1987
Current		
Cash	\$ 230,462	\$ 227,232
Investments (Note 3)	5,794,295	5,620,579
Accounts receivable	2,736,263	2,741,320
Materials and supplies	126,167	102,783
	<u>8,887,187</u>	<u>8,691,914</u>
Investments (Note 3)	33,405	33,300
Fixed (Note 4)	<u>56,115,970</u>	<u>53,243,487</u>
	<u>\$65,036,562</u>	<u>\$61,968,701</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,159,545	\$ 911,350
Grants in lieu of municipal taxes	71,664	201,002
Deferred revenues	928,571	892,851
Current portion of long term debt	334,057	303,688
	<u>2,493,837</u>	<u>2,308,891</u>
Accrued employee benefits	679,499	662,746
Loans from Canada (Note 5)	<u>3,486,176</u>	<u>3,820,233</u>
	<u>6,659,512</u>	<u>6,791,870</u>
Equity		
Contributed capital	53,796,865	53,796,865
Surplus	<u>4,580,185</u>	<u>1,379,966</u>
	<u>58,377,050</u>	<u>55,176,831</u>
	<u>\$65,036,562</u>	<u>\$61,968,701</u>

On behalf of the Board:

Donald A. Parker  
Chairman

David F. Bellefontaine  
President and  
Chief Executive Officer



### Statement of Income and Surplus

year ended December 31, 1988	1988	1987
Revenue from operations	\$14,836,049	\$12,866,025
Operating and administrative expenses	9,201,859	8,211,102
Depreciation	1,934,257	2,033,490
Grants in lieu of municipal taxes	790,963	907,200
	<b>11,927,079</b>	<b>11,151,792</b>
Income from operations	<b>2,908,970</b>	<b>1,714,233</b>
Investment income	594,105	418,840
Interest expense	(412,392)	(440,000)
Gain on disposal of fixed assets	2,456	3,778
	<b>184,169</b>	<b>(17,382)</b>
Net income before extraordinary item	<b>3,093,139</b>	<b>1,696,851</b>
Extraordinary item		
Gain on sale of land	266,135	—
Net income	<b>3,359,274</b>	<b>1,696,851</b>
Surplus (deficit), beginning of year	<b>1,379,966</b>	<b>(46,976,415)</b>
Deficit reduction		46,976,415
	<b>4,739,240</b>	<b>1,696,851</b>
Dividend to Canada	<b>159,055</b>	<b>316,885</b>
Surplus, end of year	<b>\$ 4,580,185</b>	<b>\$ 1,379,966</b>

### Statement of Changes in Financial Position

year ended December 31, 1988	1988	1987
Operating activities		
Net income before extraordinary item	\$3,093,139	\$1,696,851
Depreciation	1,934,257	2,033,490
Other	55,628	(24,388)
Decrease in operating components of working capital	136,250	116,545
Cash provided by operating activities	<b>5,219,274</b>	<b>3,822,498</b>
Financing activities		
Loans from Canada	(303,687)	(276,079)
Dividend to Canada	(159,055)	(316,885)
Cash applied to financing activities	<b>(462,742)</b>	<b>(592,964)</b>
Investing activities		
Proceeds from sale of land	266,135	—
Additions to fixed assets	(4,852,977)	(1,443,777)
Other	7,256	10,461
Cash applied to investing activities	<b>(4,579,586)</b>	<b>(1,433,316)</b>
Increase in cash and short-term investments	<b>176,946</b>	<b>1,796,218</b>
Cash and short-term investments, beginning of year	<b>5,847,811</b>	<b>4,051,593</b>
Cash and short-term investments, end of year	<b>\$6,024,757</b>	<b>\$5,847,811</b>

### Notes to Financial Statements

December 31, 1988

**1** In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of Halifax to the Halifax Port Corporation.

### **2** Significant accounting policies

#### *a) Investments*

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

#### *b) Fixed assets*

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

#### *c) Pension costs*

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.



*d) Grants in lieu of municipal taxes*

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

*e) Employee benefits*

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

**3**

**Investments**

	1988		1987	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short term	\$5,794,295	\$6,039,800	\$5,620,579	\$5,706,200
	1988		1987	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Long term	\$ 33,405	\$ 34,270	\$ 33,300	\$ 32,342

**4**

**Fixed assets**

	Depreciation Rates	1988		1987	
		Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$23,324,988	\$ —	\$23,324,988	\$23,324,988
Dredging	2.5-6.7	2,627,637	2,255,160	372,477	369,113
Berthing structures	2.5-10	32,310,994	17,910,525	14,400,469	14,899,890
Buildings	2.5-10	16,796,717	11,023,856	5,772,861	6,113,999
Utilities	3.3-10	4,510,147	2,008,091	2,502,056	2,609,784
Roads and surfaces	2.5-10	7,462,891	4,117,353	3,345,538	3,737,024
Machinery and equipment	5-100	9,408,757	7,792,272	1,616,485	1,719,844
Office furniture and equipment	20	920,031	738,952	181,079	257,710
Projects under construction		4,600,017	—	4,600,017	211,135
		\$101,962,179	\$45,846,209	\$56,115,970	\$53,243,487



## 5 Loans from Canada

	1988	1987
10% loan maturing on December 31, 1996 repayable in blended annual principal and interest payments of \$716,080	\$3,820,233	\$4,123,920
Less current portion repayable within one year	334,057	303,687
	<u>\$3,486,176</u>	<u>\$3,820,233</u>

The loans from Canada are unsecured.

## BOARD OF DIRECTORS

### **Donald A. Parker**

Chairman  
President of various local companies  
Dartmouth, N.S.

### **Paul M. Murphy, Q.C.**

Vice-Chairman  
Partner — Patterson Kitz  
Halifax, N.S.

### **Florence R. Irwin**

Partner — Canadian Annuity Quotations  
and Insurance Services Ltd.  
Bedford, N.S.

### **Michael J. Proude**

President — Local 269  
International Longshoremen's Association  
Dartmouth, N.S.

### **Lois A. Glibbery**

Property Marketing Specialist  
Royal LePage Real Estate Services Ltd.  
Halifax, N.S.

### **Harald A. Norve**

President  
H. A. Norve & Associates Ltd.  
Halifax, N.S.

### **Captain Ernest A. Coates**

Retired-Marine Superintendent  
Esso Petroleum Canada  
Dartmouth, N.S.

## OFFICERS OF THE CORPORATION

### **Donald A. Parker**

Chairman

### **Paul M. Murphy, Q.C.**

Vice-Chairman

### **David F. Bellefontaine**

Port Manager  
President and Chief Executive Officer

### **Lorraine E. Brenton**

Corporate Secretary

### **Richard T. Pentland**

Vice-President, Engineering and Works

### **Dennis W. Creamer**

Vice-President, Finance and Administration

### **Robert A. Kaye**

Vice-President, Marketing

### **Captain Claude L. Ball**

Vice-President, Operations/Harbour Master

### **Peter J. MacKeigan**

Chief Legal Officer



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## MONTREAL PORT CORPORATION

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### PERFORMANCE HIGHLIGHTS

Growth of highly-diversified traffic more than compensates for a sharp decrease in grain exports.

A record amount of containerized cargo handled for the sixth consecutive year.

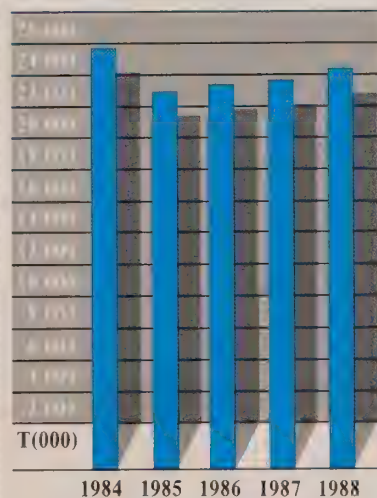
An unprecedented amount of general cargo handled.

A substantial increase in petroleum products traffic.

Positive financial results for the ninth consecutive year.

More than \$24 million in capital expenditures to expand and improve facilities.

### TOTAL TRAFFIC





## JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER

The results of last year's port activity illustrate well the advantage Montréal maintains as a multifunctional port.

As a matter of fact, because of its highly-diversified traffic, the Port of Montréal did well in 1988 despite a sharp decrease in grain exports caused by one of the worst droughts on the Prairies in 50 years.

Total traffic rose to 22.2 million tonnes, compared with 21.9 million tonnes in 1987. The gain — 1.7 percent or approximately 370,000 tonnes — is attributable to an increase in petroleum products and containerized cargo traffic.

It is apparent from last year's results that the decrease in grain traffic made the difference between what was a "good year" for the Port of Montréal and what could have been a "very good year".

### General Cargo

Despite fierce competition, the Port of Montréal handled a record amount of containerized cargo for the sixth consecutive year in 1988. Traffic in this category rose to 5.7 million tonnes, an increase of 3.7 percent or approximately 200,000 tonnes compared with 1987.

In the last 10 years, our containerized cargo traffic has grown at an average annual rate of 9.9 percent, which is three times higher than that of the industrialized economies of the Organization for Economic Co-operation and Development (O.E.C.D.).

Our containerized traffic increased at a more normal level in 1988 — more in line with that of the economy — but it will continue to grow steadily over the long-term perspective, which is very encouraging for Canada's Number One Container Port.

In 1988, 560,441 containers (TEUs) were handled on our docks. In fact, it took only 10 years for the cumulative number of containers moving through the port to go from one million to five million, a milestone set last May.

Because of the increase in containerized traffic, the port once again handled an

unprecedented amount of general cargo. Traffic in this sector, which included 1.2 million tonnes of breakbulk cargo, rose to 6.9 million tonnes in 1988, an increase of 3.4 percent or 200,000 tonnes.

The Port of Montréal handled more general cargo traffic than any other port on North America's eastern seaboard, with the exception of New York.

### Bulk Cargo

Grain was the only cargo category in which traffic was down in 1988. A poor harvest, caused by last year's drought, was responsible for the decline. Grain traffic totalled three million tonnes, a decrease of 27 percent or 1.1 million tonnes compared with 1987.

Petroleum products traffic made the strongest gain in 1988. It rose to 7.3 million tonnes, compared with 6.1 million tonnes the year before, for an increase of 19.4 percent.

This remarkable gain is attributable mainly to large shipments of crude oil to the United States, where a strong demand coincided with an excess in production in Canada.

Finally, traffic in the other dry and liquid bulk category amounted to five million tonnes in 1988, the same total as the year before.

### Highlights of the Fiscal Year

Last year was the ninth consecutive year that the port posted positive financial results. Revenue from operations totalled \$57.2 million and net income from operations was \$4.6 million. Net income amounted to \$14 million, including net investment income of \$7.5 million and an outstanding item of \$1.9 million.

Capital expenditures amounting to \$24.4 million emphasize the priority we place on expanding and improving our facilities.

We are proud to state that the Corporation is financially healthy and that it is continuing to achieve its principal objective: to stimulate port activity by providing quality facilities and efficient services at competitive costs.

We had this objective in mind when we unveiled last year our development strategy designed to satisfy the growing space requirements of our current and future customers through to the year 2010.



Ronald Corey

Dominic J. Taddeo

### Outlook

The year 1989 will be difficult in the grain sector. We cannot hope for an improvement before the next harvest.

Nevertheless, we believe that the Port of Montréal will do well for itself, just as it did in 1988, because of its highly-diversified traffic.

The outlook for the long term is excellent as indicated by, among other things, studies on which we based our Horizon 2010 port development strategy.

In conclusion, we would like to take this opportunity to extend our heartfelt thanks to our employees and to all members of the port community for their tireless efforts to ensure the success of the Port of Montréal, a major world port located right on the doorstep of North America's industrial heartland.

Ronald Corey  
Chairman of the Board

Dominic J. Taddeo  
General Manager and  
Chief Executive Officer



## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Montréal Port Corporation as at December 31, 1988 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

Chartered Accountants  
Montréal, Quebec  
February 10, 1989

## Balance Sheet as at December 31, 1988

(in thousands of dollars)

Assets	1988	1987
Current		
Cash	\$ 692	\$ 632
Investments (Note 3)	28,871	36,025
Accounts receivable	9,176	10,596
Materials and supplies	872	859
	<u>39,611</u>	<u>48,112</u>
Investments (Note 3)	39,572	39,395
Fixed assets (Note 4)	153,618	139,489
Other assets	499	433
	<u>\$233,300</u>	<u>\$227,429</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 10,254	\$ 11,260
Grants in lieu of municipal taxes	2,386	5,000
	<u>12,640</u>	<u>16,260</u>
Accrued employee benefits	5,329	5,225
Loans from Canada (Note 6)	6,561	6,968
	<u>11,890</u>	<u>12,193</u>
<b>Equity of Canada</b>		
Contributed capital	183,569	183,569
Retained earnings	25,201	15,407
	<u>208,770</u>	<u>198,976</u>
	<u>\$233,300</u>	<u>\$227,429</u>

On behalf of the Board:

Ronald Corey  
Chairman

Dominic J. Taddeo  
General Manager and  
Chief Executive Officer

**Income** (in thousands of dollars)

year ended December 31, 1988	1988	1987
Revenue from operations	\$57,268	\$59,770
Operating and administrative expenses	39,385	38,530
Depreciation	9,838	8,926
Grants in lieu of municipal taxes	3,403	3,954
	<u>52,626</u>	<u>51,410</u>
Net income from operations	<u>4,642</u>	<u>8,360</u>
Investment income	7,968	7,529
Interest expense	(459)	(482)
	<u>7,509</u>	<u>7,047</u>
Net income before unusual item	12,151	15,407
Adjustment of grants in lieu of municipal taxes	1,915	—
Net Income	<u>\$14,066</u>	<u>\$15,407</u>

**Retained Earnings** (in thousands of dollars)

year ended December 31, 1988	1988	1987
Balance at beginning	\$15,407	\$(7,712)
Elimination of deficit by a reduction in contributed capital		7,712
Net income	14,066	15,407
Dividend	(4,272)	—
Balance at end	<u>\$25,201</u>	<u>\$15,407</u>

**Changes in Financial Position**

(in thousands of dollars)

year ended December 31, 1988	1988	1987
Inflow (Outflow) of cash related to the following activities:		
Operating		
Net income	\$14,066	\$15,407
Items not affecting cash		
Depreciation	9,838	8,926
Other	142	360
	<u>24,046</u>	<u>24,693</u>
Changes in non-cash operating working capital items	(1,950)	6,677
	<u>22,096</u>	<u>31,370</u>
Financing		
Repayment of current portion of loans from Canada	(407)	(383)
Increase (decrease) in accrued employee benefits	104	(58)
Dividends paid	(4,272)	(4,136)
	<u>(4,575)</u>	<u>(4,577)</u>
Investing		
Acquisition of long-term investments	(177)	(177)
Acquisition of fixed assets	(24,423)	(17,832)
Proceeds on disposal of fixed assets	51	—
Receipt of other assets	30	26
Acquisition of other assets	(96)	—
	<u>(24,615)</u>	<u>(17,983)</u>
Increase (decrease) in cash	(7,094)	8,810
Cash at beginning	36,657	27,847
Cash at end	<u>\$29,563</u>	<u>\$36,657</u>

Cash comprises cash and temporary investments.



## Notes to Financial Statements year ended December 31, 1988

### 1 Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour as are administered by the Board, shall be deemed to have been transferred to the local port corporation, in this case the Montréal Port Corporation.

### 2 Significant Accounting Policies

#### *Inventories*

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on average cost.

#### *Fixed Assets and Depreciation*

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation on fixed assets is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

#### *Pension Costs*

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

#### *Grants in Lieu of Municipal Taxes*

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### *Employee Benefits*

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with Corporation policy.

### 3 Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity. As at December 31, 1988, the market value of the short-term investments is equivalent to their amortized cost, and market value of long-term investments is \$42,450,600 (\$42,636,000 in 1987).

**4 Fixed Assets**

(in thousands of dollars)

		1988		1987	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Value	Net Value
Land		\$23,230	\$ —	\$ 23,230	\$ 19,113
Dredging	2.5%	15,876	12,366	3,510	3,738
Berthing structures	2.5%	59,317	38,719	20,598	21,594
Buildings	2.5%-10%	68,508	30,436	38,072	38,583
Utilities	3.3%-10%	17,180	7,128	10,052	8,565
Roads and surfaces	2.5%-10%	51,901	14,349	37,552	26,900
Machinery and equipment	5%-20%	52,846	34,465	18,381	20,355
Office furniture and equipment	20%	1,715	1,247	468	444
		290,573	138,710	151,863	139,292
Projects under construction		1,755	—	1,755	197
		\$292,328	\$138,710	\$153,618	\$139,489

**5 Accounts Payable and Accrued Liabilities**

Included in accounts payable and accrued liabilities are amounts for deferred revenues of \$1,002,793 (\$979,612 in 1987) and for the current portion of long-term liabilities of \$407,056 (\$383,111 in 1987).

**6 Loans from Canada**

(in thousands of dollars)

	1988	1987
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of \$842,561 and maturing in the year 2000	\$6,968	\$7,351
Less: Current portion	407	383
	\$6,561	\$6,968

Principal repayment requirements over the next five years amount to:

1989	1990	1991	1992	1993
\$407,056	\$432,497	\$459,528	\$488,249	\$518,765



## 7 Contingencies

Claims aggregating approximately \$7,810,690 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

## 8 Commitments

a) Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$2,854,000.

b) In accordance with a Government of Canada policy concerning payment of dividend, the Corporation would be required to pay a dividend, in respect of the 1988 fiscal year, based on a method of calculation using net income. This dividend payable before March 31, 1989, would amount to \$3,338,095 and would be applied against retained earnings.

## 9 Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

## BOARD OF DIRECTORS

### **Ronald Corey \***

Chairman  
President, Club de Hockey Canadien, Inc.  
President, Montréal Forum Inc.  
Montréal, Que.

### **Bernard J. Finestone \***

Vice-Chairman  
President, Abbey-Finestone Inc.  
Westmount, Que.

### **Rosaire Archambault**

President  
Archambault Musique Inc.  
Montréal, Que.

### **Roger Bishop**

Member, Local 375  
International Longshoremen's Association  
Brossard, Que.

### **Suzanne Brochu**

Communications Officer  
Caisse de dépôt et placement du Québec  
Montréal, Que.

### **Raphael Esposito**

Esposito, Cocciardi, St-Onge & Beaulieu  
Montréal, Que.

### **André Gingras \***

President  
André Gingras et associés Inc.  
Westmount, Que.

\* Members of the Executive Committee

## OFFICERS OF THE CORPORATION

### **Ronald Corey**

Chairman

### **Dominic J. Taddeo**

General Manager and Chief Executive Officer

### **Yvan Simard**

Deputy General Manager

### **André Bédard**

Director of Human Resources

### **Jacques Brault**

Director of Police and Security

### **Jean-Pierre Desjardins**

Director of Planning and Development

### **Roger Dubé**

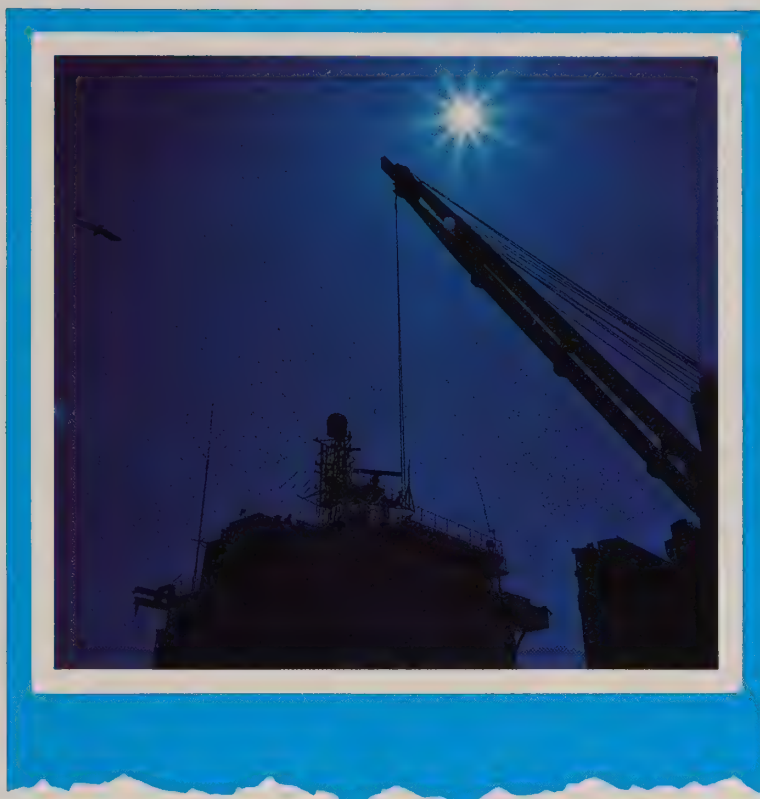
Director of Finance and Administration

### **Captain Dea Hassib**

Director of Operations

### **Jean Mongeau**

Corporate Secretary



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## PRINCE RUPERT PORT CORPORATION

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### PERFORMANCE HIGHLIGHTS

Major progress on \$37.9 million Fairview expansion.

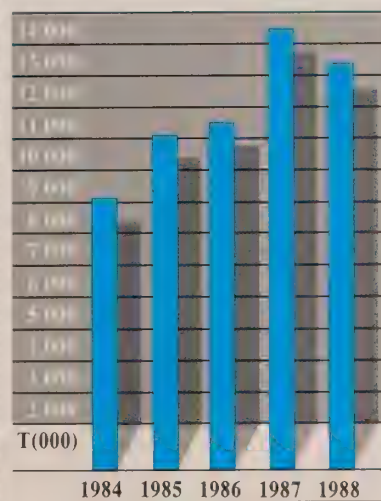
Favourable financial results with net income of \$5.2 million.

Total cargo throughput of 12.4 million tonnes.

Advancement of key corporate strategic issues.

Aggressive marketing activities.

### TOTAL TRAFFIC





## JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER

The Prince Rupert Port Corporation is pleased to report activities and results for the 1988 year. Corporate activities during the year focussed on strategic issues that will affect the future development and utilization of the port and the achievement of the social and economic objectives of the Corporation.

Central to this task is the \$37.9 million expansion of the port owned Fairview Terminal. Following project approval received in late 1987, the port has appointed project managers, completed design work, initiated construction and ultimately was in a position to award the major construction contract by the end of 1988. This project, which will increase terminal storage space by 35 percent and add an additional ship berth, will ensure that Canadian exporters of forest products have an effective and efficient gateway through which markets around the world can be reached for years to come. Moreover, the investment decision is consistent with the Corporation's financial objectives.

Although the Fairview Expansion results in considerable activity, significant development critical to the development of the port is occurring in a number of other areas.

To ensure that the port is taking advantage of all business opportunities and to broaden the cargo hinterland, the port's marketing program has been strengthened and intensified. Key elements include: transportation costing, identifying cargo/commodity potential and direct sales. Simultaneously, efforts are dedicated to planning for additional facilities as dictated by the commercial opportunities and assessing the level of utilization and terminal configuration of existing facilities using engineering and operations research techniques. The linkage between the marketing and engineering efforts are considered key to developing facilities in a timely manner consistent with Canadian import/export needs.

A major strategic issue confronting the port is the lack of developable property on the waterfront. A land use management plan is being developed of existing properties and further identifies properties of strategic value to the port that should be considered for acquisition. This initiative is critical if the port is to satisfy its objectives of developing the waterfront consistent with national, regional and local needs.

In 1988, cargo throughput at the Port of Prince Rupert totalled 12.4 million tonnes, which is an 8 percent decline over the 1987 results. This decline is attributed to the disastrous drought in Canada's grain-growing areas, which limited exports and consequently throughput at the port. Grain traffic dropped to 3.68 million tonnes from 4.8 million tonnes. Coal traffic and pulp shipments were the bright spots at the port. Those commodities were up 5 percent to 6.7 million tonnes and 10 percent to 400,000 tonnes respectively. Traffic of one million tonnes at the port owned Fairview Terminal was about the same as last year. Lumber throughput, the prime commodity at the terminal, was 806,000 tonnes, down marginally from the previous year. A decline in the port's major lumber markets just at the end of the year prevented another record year in that commodity.

Both cruise and ferry passengers were up in 1988. The number of cruise passengers improved by 4 percent to 9,466 while ferry passengers increased by 12 percent to 183,289.

Notwithstanding the decline in overall tonnage, total vessel activity in the harbour was up slightly to 1,620 commercial vessels which indicates clearly the continued level of activity in the port.

Financial results for the Corporation in 1988 were favourable. At \$14.6 million, operating revenues were down marginally from 1987. However, operating income showed a 10 percent improvement to \$3.9 million due to reduced expenditures. Net income was up 20 percent to \$5.2 million. These financial results are particularly gratifying as they give the port the financial resources to fund development projects at a time when opportunities are favourable.



Allan T. Sheppard

Robert W. Tytaneck

The success of the Port of Prince Rupert is due to the effort and dedication of individuals and corporations working in unison. The port would like to thank all that are part of the waterfront team for their commitment. The upcoming 1989 year will present new challenges which we are confident can be met with the continued support of the industry. We look forward to the new experiences and opportunities.

Allan T. Sheppard  
Chairman of the Board

Robert W. Tytaneck  
General Manager and  
Chief Executive Officer



## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1988, and the statements of income and surplus to Canada and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the Letters Patent and By-laws of the Corporation

## Balance Sheet as at December 31, 1988

Assets	1988	1987
Current Assets		
Cash	\$ 54,386	\$ 50,506
Investments (note 1)	16,431,572	11,847,375
Accounts receivable	861,425	950,357
Materials and supplies	93,664	67,322
	<u>17,441,047</u>	<u>12,915,560</u>
Property and Equipment (note 2)	71,272,047	71,312,750
	<u>\$88,713,094</u>	<u>\$84,228,310</u>
<b>Liabilities and Equity of Canada</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 686,166	\$ 546,908
Payable to Canada	18,868	2,965
Grants in lieu of municipal taxes	394,598	368,140
Deferred revenues	149,330	162,216
	<u>1,248,962</u>	<u>1,080,229</u>
Recoverable Contribution from Canada (note 3)	48,300,000	48,300,000
	<u>49,548,962</u>	<u>49,380,229</u>
Equity of Canada		
Contributed capital	31,311,805	31,311,805
Surplus	7,852,327	3,536,276
	<u>39,164,132</u>	<u>34,848,081</u>
	<u>\$88,713,094</u>	<u>\$84,228,310</u>
Commitments (note 4)		

Thorne Ernst & Whimsey

Chartered Accountants  
Vancouver, British Columbia  
February 8, 1989

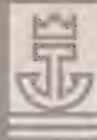
Approved by the Board:

Allan Sheppard

Allan T. Sheppard  
Chairman

Robert W. Tytaneck

Robert W. Tytaneck  
General Manager and  
Chief Executive Officer



### Statement of Income and Surplus

year ended December 31, 1988	1988	1987
		(as restated note 6)
Revenue from operations	\$14,585,020	\$14,852,377
Expenses		
Operating and administrative	9,563,862	9,776,591
Depreciation (note 2)	697,684	1,136,992
Grants in lieu of municipal taxes	407,665	405,538
	10,669,211	11,319,121
Income from operations	3,915,809	3,533,256
Other income (expense)		
Interest income	1,257,306	781,979
Settlement of litigation (note 6)	87,507	(350,000)
	1,344,813	431,979
Net income	5,260,622	3,965,235
Surplus (deficit) at beginning of year	3,536,276	(5,838,325)
	8,796,898	(1,873,090)
Deficit reduction	—	6,188,325
	8,796,898	4,315,235
Dividend to Canada	944,571	778,959
Surplus at end of year	\$7,852,327	\$3,536,276



### Statement of Changes in Financial Position

year ended December 31, 1988	1988	1987
		(as restated note 6)
Cash provided by (used for)		
Operations		
Net income	\$ 5,260,622	\$ 3,965,235
Items not involving cash		
Depreciation	697,684	1,136,992
Settlement of litigation	—	350,000
	<u>5,958,306</u>	<u>5,452,227</u>
Changes in non-cash operating working capital		
Accounts receivable	88,932	(384,073)
Materials and supplies	(26,342)	12,606
Accounts payable and accrued liabilities	139,258	19,145
Grants in lieu of municipal taxes	26,458	16,429
Deferred revenues	(12,886)	(24,035)
	<u>6,173,726</u>	<u>5,092,299</u>
Financing		
Increase in payable to Canada	15,903	2,965
Forgiveness of loans from Canada	—	(38,110,991)
Increase in contributed capital	—	38,110,991
Dividend to Canada	(944,571)	(778,959)
	<u>(928,668)</u>	<u>(775,994)</u>
Investments		
Purchase of property and equipment	(656,981)	(425,693)
Decrease in receivable from Canada	—	63,937
	<u>(656,981)</u>	<u>(361,756)</u>
Increase in cash position	4,588,077	3,954,549
Cash position at beginning of year	<u>11,897,881</u>	<u>7,943,332</u>
Cash position at end of year	<u>\$16,485,958</u>	<u>\$11,897,881</u>

Cash position is defined to include cash plus investments.



## Notes to Financial Statements

December 31, 1988

### Local Port Corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation. The net liabilities assumed were recorded as contributed capital of \$678,275 and a deficit of \$11,673,894.

### Summary of Significant Accounting Policies

#### *Investments*

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

#### *Property and equipment*

Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis using rates based on the estimated useful lives of the assets.

#### *Pension costs*

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### *Grants in lieu of municipal taxes*

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### *Employee benefits*

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.



## 1 Investments

	1988	1987
Amortized cost	\$16,431,572	\$11,847,375
Market value	\$16,377,031	\$11,839,614

## 2 Property and Equipment

### (a) Summary

		1988		1987	
		Cost	Accumulated Depreciation	Net	Net
Land	—	\$60,126,625	\$ —	\$60,126,625	\$60,126,625
Dredging	2.5-6.7	5,177	1,424	3,753	3,883
Berthing structures	2.5-10	8,699,242	3,022,833	5,676,409	5,914,072
Buildings	2.5-10	2,362,861	457,593	1,905,268	1,954,216
Utilities	3.3-10	2,597,237	1,291,956	1,305,281	1,409,548
Roads and surfaces	2.5-10	3,512,385	2,123,922	1,388,463	1,613,842
Machinery and equipment	5-10	1,704,860	1,457,925	246,935	252,453
Office furniture and equipment	20	257,830	157,888	99,942	38,111
Construction in progress		519,371	—	519,371	—
		\$79,785,588	\$8,513,541	\$71,272,047	\$71,312,750

### (b) Depreciation

Depreciation consists of:

	1988	1987
Depreciation expense	\$697,684	\$ 714,841
Write-down of equipment	—	422,151
	\$697,684	\$1,136,992



### 3 Recoverable Contribution from Canada

A recoverable contribution of \$50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1988 was \$48,300,000.

The total recoverable contribution is interest-free until April 1, 1989, and thereafter bears interest at approximately 13.9%.

Principal and interest on \$48,300,000 of the contribution are repayable over 20 years, commencing on April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge of \$.44 per tonne, at a minimum of \$2,900,000 but not to exceed \$5,300,000 per year.

### 4 Commitments

(a) At December 31, 1988, commitments in connection with construction of a new berth at Fairview Terminal amounted to approximately \$30,772,000.

(b) The corporation rents a building under a long-term operating lease which expires May 1, 1991, the annual rental rate for which is \$81,264. The aggregate rental payable to the expiry date amounts to \$189,616.

### 5 Related Party Transactions

(a) During the year, the Corporation received revenue of \$1,274,593 (1987, \$1,112,764) from Ridley Terminals Inc., a company in which Canada Ports Corporation has a significant investment. At December 31, 1988, the Corporation was owed \$124,961 by Ridley Terminals Inc. (1987, \$100,290).

(b) During the year the Corporation paid \$485,279 (1987, \$434,784) to Canada Ports Corporation as its share of that corporation's head office expense.

### 6 Settlement of Litigation

During 1987, the Corporation settled a law suit for \$350,000 relating to a dispute over the settling of the Ridley Island Rail Embankment. Since the suit arose in a prior period, the settlement was accounted for as a prior period adjustment. In view of the significant involvement of management in obtaining this settlement, it has been determined that it is appropriate to account for this item as a charge to 1987 income rather than as a prior period adjustment. This change has no effect on the 1988 accounts and results in decreasing 1987 net income and decreasing deficit at January 1, 1987 (as restated) by \$350,000.

## BOARD OF DIRECTORS

#### Allan T. Sheppard \*

Chairman  
Owner/Manager  
Port Edward Marine Services  
Prince Rupert, B.C.

#### Dolores D. MacIntosh \*

Vice-Chairman  
Property Manager  
Prince Rupert, B.C.

#### John T. Payne \*/\*\*

General Manager  
Universal Stores Inc.  
Prince Rupert, B.C.

#### John D. McNish \*\*

Manager  
Credit Bureau of Prince Rupert  
Prince Rupert, B.C.

#### William B. Hick

Physician (Retired)  
Prince Rupert, B.C.

#### Donald Seidel

Manager  
Prince Rupert Motors Ltd.  
Prince Rupert, B.C.

#### Ronald A. Ciccone

Agent  
Mutual Life of Canada  
Prince Rupert, B.C.

\* Executive Committee

\*\* Audit Committee

## OFFICERS OF THE CORPORATION

#### Allan T. Sheppard

Chairman

#### Robert W. Tytaneck

General Manager and Chief Executive Officer

#### Don H. Krusel

Manager, Finance and Administration

#### Joseph A. Stranan

Manager, Marketing and Planning

#### Terrence R. Andrew

Director, Technical Services



## PORT OF QUEBEC CORPORATION

### PERFORMANCE HIGHLIGHTS

Total volume of 18.2 million tonnes of cargo.

\$12 million investment to build a new container terminal.

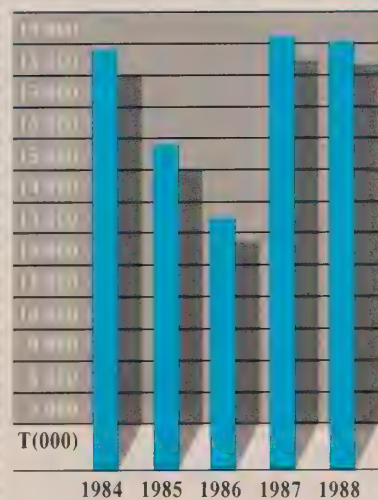
\$10 million investment to increase handling speed and productivity at Beauport solid bulk terminal.

Construction of a new phosphorus terminal.

Maximum draft increased to 15.5 meters.

Publication of a study evaluating local economic impact of cruise shipping at \$2.2 million.

### TOTAL TRAFFIC



## JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Port of Québec is proud to present its annual report for 1988, an outstanding year from a corporate and commercial perspective, as the port targeted increased productivity, new business development and a diversified revenue base.

Increased shipments of petroleum products, minerals and general cargo contributed to an overall performance of 18.2 million tonnes, close to the record 18.3 million tonnes of cargo handled in 1987. This was achieved in spite of a significant decline in the volume of grain moved through the St. Lawrence Seaway.

The Port of Québec consolidated its position as the leading transshipment port serving the Great Lakes. Shipments of iron ore, destined principally to US steel mills, rose to 3.6 million tonnes, up 13 percent over 1987 figures. Deep water, geographic location and intermodal transportation links make the Port of Québec very competitive in this growing market.

These advantages also helped the port grow as a center for the distribution of petroleum products. With a dockside depth of more than 16 meters, Ultramar Canada welcomes vessels of 150,000 dead-weight tonnes, supplying its refinery with crude oil. A total of 8.7 million tonnes of hydrocarbons were handled in 1988, principally at the Ultramar pier, compared to 7.8 million tonnes in 1987.

A new facility was inaugurated in the liquid bulk sector, as Intertank Inc. completed construction of a 7,000 tonne capacity phosphorus reservoir.

The Port of Québec also had an excellent year in general cargo. Shipments of newsprint grew from 107,000 tonnes in 1987 to 152,000 tonnes in 1988. Exports of granite, an increasingly popular building material, prompted two shipping lines to make Québec the port of call for a new, regular service to Italy. A total of 69,000 tonnes of granite were handled in 1988, compared to only 11,000 tonnes during the previous year.

### Financial Highlights

A brief summary of financial results for 1988 shows overall revenues of \$13.5 million and a net income of \$1.3 million.

### Major Development Projects

Inspired by the Port of Québec's potential for future growth, the Corporation launched two ambitious development projects in 1988.

A \$10 million investment will double annual throughput capacity from 3 to 6 million tonnes at the Beauport solid bulk terminal, consolidating the port's position as the leading transshipment center on the St. Lawrence. When construction is completed in 1990, a new 1,000-meter conveyor system will permit direct ship-to-ship cargo transfers while facilitating simultaneous unloading and loading operations for products such as iron ore, coal, copper and cement.

A \$12 million investment will mark the return of containerized shipping to the Port of Québec. When operations begin in 1990, the new terminal will provide an important asset to regional industries, in particular the Glaverbec flat glass factory under construction in suburban Québec City. The terminal will also be capable of handling the largest ships in the world container trade.

These two development projects are complemented by a vast preventive maintenance program introduced to safeguard and improve the Corporation's assets.

### A Valued Corporate Citizen

To maximize the economic and social benefits of maritime activity, the Port of Québec initiated a program to enhance its position in the regional community. This management philosophy resulted in the recreational development of property unsuited for port operations. The Corporation also conducted a major public information campaign.

The Port of Québec Corporation will pursue the development strategy implemented in 1988, emphasizing productivity, diversification and marketing.

In spite of hard times in the grain trade, the overall outlook for the port is encouraging. The growing use of deep-draft vessels in maritime transportation,



Guy Boulanger, f.c.a.

Ross Gaudreault

combined with new, modern and efficient handling equipment for bulk and container operations, will provide the Port of Québec with a significant technical advantage in the near future. In collaboration with its business partners, the port administration will continue to devote every effort to making Québec a leader in maritime transportation.

Guy Boulanger f.c.a.  
Chairman of the Board

Ross Gaudreault  
President and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.

Minister of Transport

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1988 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the port as at December 31, 1988 and the results of its operations and the changes of its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and by-laws of the Corporation.

*Thorne Aust - Whimsey*  
Chartered Accountants

Québec, Quebec  
February 10, 1989

## Balance Sheet as at December 31, 1988

Assets	1988	1987
Current Assets		
Cash	\$ 500,552	\$ 65,877
Investments (note 1)	18,018,706	14,350,583
Accounts receivable	2,655,573	3,317,994
Materials and supplies	131,856	75,831
	<u>21,306,687</u>	<u>17,810,285</u>
Investments (note 1)	<u>6,676,546</u>	<u>6,650,201</u>
Property, Plant and Equipment (note 2)	<u>42,337,986</u>	<u>43,466,432</u>
	<u>\$70,321,219</u>	<u>\$67,926,918</u>
<b>Liabilities and Equity of Canada</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,955,951	\$ 2,079,649
Grants in lieu of municipal taxes	398,200	344,000
Deferred revenues	795,178	788,842
	<u>3,149,329</u>	<u>3,212,491</u>
Long term		
Accrued employee benefits	<u>810,200</u>	<u>768,478</u>
Equity of Canada (note 3)		
Contributed capital	63,182,198	61,759,198
Surplus	3,179,492	2,186,751
	<u>66,361,690</u>	<u>63,945,949</u>
	<u>\$70,321,219</u>	<u>\$67,926,918</u>

On behalf of the Board:

*Guy Boulanger*

Guy Boulanger, f.c.a.  
Chairman

*Ross Gaudreault*

Ross Gaudreault  
President and  
Chief Executive Officer



### Statement of Income

year ended December 31, 1988	1988	1987
Revenue from operations	\$11,177,475	\$10,634,983
Expenses		
Operating and administrative expenses	9,118,893	7,482,804
Depreciation	1,995,468	1,941,183
Grants in lieu of municipal taxes	1,053,686	806,713
	12,168,047	10,230,700
Income (loss) from operations	(990,572)	404,283
Investment income	2,290,572	1,786,580
Net Income	\$ 1,300,000	\$ 2,190,863

### Statement of Contributed Capital

year ended December 31, 1988	1988	1987
Balance at beginning of year	\$61,759,198	\$107,251,631
Contribution from Canada (note 4)	1,423,000	—
Contribution to Canada	—	(21,735,000)
Reduction of deficit (note 3)	—	(23,757,433)
Balance at end of year	\$63,182,198	\$ 61,759,198

### Statement of Surplus

year ended December 31, 1988	1988	1987
Surplus (deficit) at beginning of year	\$2,186,751	\$ (23,757,433)
Reduction of deficit (note 3)	—	23,757,433
Net income	1,300,000	2,190,863
Dividend to Canada	(307,259)	(4,112)
Surplus at end of year	\$3,179,492	\$ 2,186,751



## Statement of Changes in Financial Position

year ended December 31, 1988	1988	1987
Cash provided by (used for)		
Operations		
Net income	\$ 1,300,000	\$ 2,190,863
Items not affecting cash		
Amortization of discount on Canada Government bonds	(26,345)	(26,345)
Depreciation	1,995,468	1,941,183
Loss (gain) on disposal of property, plant and equipment	(53,145)	30,394
Accrued employee benefits	41,722	30,978
Changes in non-cash operating working capital (note 5)	543,234	(1,717,137)
	<b>3,800,934</b>	<b>2,449,936</b>
Investment		
Additions to property, plant and equipment	(874,918)	(509,124)
Proceeds on disposal of property, plant and equipment	58,152	22,605
Others	2,889	—
	<b>(813,877)</b>	<b>(486,519)</b>
Financing		
Contributed capital	1,423,000	(45,492,433)
Contribution to Canada	—	21,735,000
Reduction of deficit	—	23,757,433
Dividend to Canada	(307,259)	(4,112)
	<b>1,115,741</b>	<b>(4,112)</b>
Increase in cash position	<b>4,102,798</b>	<b>1,959,305</b>
Cash position at beginning of year	<b>14,416,460</b>	<b>12,457,155</b>
Cash position at end of year	<b>\$18,519,258</b>	<b>\$14,416,460</b>
Cash position is represented by:		
Cash	\$ 500,552	\$ 65,877
Investments	18,018,706	14,350,583
	<b>\$18,519,258</b>	<b>\$14,416,460</b>

## Notes to Financial Statements year ended December 31, 1988

### General

The Port of Québec Corporation was incorporated on June 1, 1984, under article 6.2(1) of the *Canada Ports Corporation Act*.

## Summary of Significant Accounting Policies

### Investments

Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premium or discount is amortized over the periods to maturity.

### Property, plant and equipment

Property, plant and equipment are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or

fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related property, plant and equipment.

Depreciation is calculated using the straight line method, once the assets become operational for an entire year, using the following annual rates:

Dredging	2,5%-6,7%
Berthing structures	2,5%-10%
Buildings	2,5%-10%
Utilities	3,3%-10%
Roads and surfaces	2,5%-10%
Machinery and equipment	5%-20%
Office furniture and equipment	20%

### Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

### Insurance

The Port of Québec Corporation assumes all risks with respect to compensation claims for occupational injury. Any costs arising from these claims are recorded in the accounts in the year they can be reasonably estimated.

### Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

### Employee benefits

Every year the Corporation accounts for estimated liabilities relating to severance pay, annual leave and overtime compensatory leave; these benefits are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

## Investments

Investments, which are direct securities guaranteed by Canada, are as follows:

	1988		1987	
	Cost	Market Value	Cost	Market Value
Current	\$18,018,706	\$17,947,547	\$14,350,583	\$14,360,850
Long term	\$ 6,676,546	\$ 7,208,678	\$ 6,650,201	\$ 7,225,330



## 2 Property, Plant and Equipment

	1988		1987	
	Cost	Accumulated depreciation	Net	Net
Land	\$11,098,253	\$ —	\$11,098,253	\$11,043,597
Dredging	4,561,341	3,951,308	610,033	638,094
Berthing structures	22,636,930	16,677,704	5,959,226	6,364,123
Buildings	33,469,919	14,309,763	19,160,156	19,945,183
Utilities	3,674,038	2,136,097	1,537,941	1,481,989
Roads and surfaces	5,930,727	3,560,897	2,369,830	2,672,073
Machinery and equipment	527,604	388,377	139,227	125,700
Office furniture and equipment	620,747	389,211	231,536	221,716
Projects under construction	1,231,784	—	1,231,784	973,957
	\$83,751,343	\$41,413,357	\$42,337,986	\$43,466,432

## 3 Equity of Canada

In 1987, the Minister of Transport approved the elimination of the accumulated deficit to January 1, 1987 totaling \$23,757,433, by reducing the contributed capital by the same amount.

## 4 Contribution from Canada

Persuant to a resolution from the Treasury Board, the ministry of Transport has transferred at no cost on January 1, 1988, the administration, management, control and property of certain assets previously managed by Société Immobilière

du Canada (Vieux Port de Québec) Inc. The ministry of Transport of Canada paid to the Corporation a total amount of \$1,423,000 as a compensation to help absorb the estimated operating deficits for the next five years. This amount has been credited to contributed capital.

## 5 Changes in Non-cash Operating Working Capital

	1988	1987
Accounts receivable	\$662,421	\$(1,557,064)
Materials and supplies	(56,025)	(7,050)
Accounts payable and accrued liabilities	(123,698)	28,808
Grants in lieu of municipal taxes	54,200	(310,808)
Deferred revenues	6,336	128,977
	\$543,234	\$(1,717,137)

## 6 Related Party Transactions

During the year, the Corporation entered into transactions with related entities comprising various ministry, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues from related entities totaling \$1.1 million (\$1.2 million in 1987). Expenses paid to related parties mainly consist in management fees and amount to \$728,000.

## 7 Contingencies

Claims aggregating approximately \$1,500,000 have been received by the Corporation in respect of lawsuits, warranties, collective agreements, damages allegedly suffered on Corporation property and various other matters in dispute. In the Corporation's view, its position is defensible and these claims should not result in any material losses.

In addition, claims for an estimated amount of \$2,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

## BOARD OF DIRECTORS

**Guy Boulanger, f.c.a.\***

Chairman  
Associate  
Caron Bélanger  
Québec, Que.

**Raymond Stuart McBain\***

Vice-Chairman  
President  
Ver-Mac Inc.  
Sainte-Foy, Que.

**Denise Rancourt-Bélanger\***

Lawyer  
Lévis, Que.

**Yvon Dolbec**

President  
Dolbec Y. Logistique Int'l Inc.  
Sainte-Foy, Que.

**Claude Gagné**

Sales Representative  
Toshiba of Canada Ltd.  
Vanier, Que.

**Roméo Savard**

Foreman  
International Longshoremen's Association  
Québec, Que.

\* Members of the Executive Committee

## OFFICERS OF THE CORPORATION

**Guy Boulanger, f.c.a.**

Chairman

**Ross Gaudreault**

President and Chief Executive Officer

**Louis-Philippe Cormier**

Director, Administration

**Mario Bernard**

Director, Finance

**Yvon Bureau**

Director, Operations

**Marc Dulude**

Director, Marketing

**Raymond Leclerc**

Director, Engineering and Maintenance

**André Boulet**

Director, Police and Security

**Dave Johanson**

Director, Promotion

**Yvon Lambert**

Director, Human Resources

**Gary Q. Ouellet, c.r.**

Corporate Secretary



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## SAINT JOHN PORT CORPORATION

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### PERFORMANCE DIVIDENDS

Total port traffic increased to 14.9 million tonnes.

Shipments of potash were up 25% to 1.6 million tonnes.

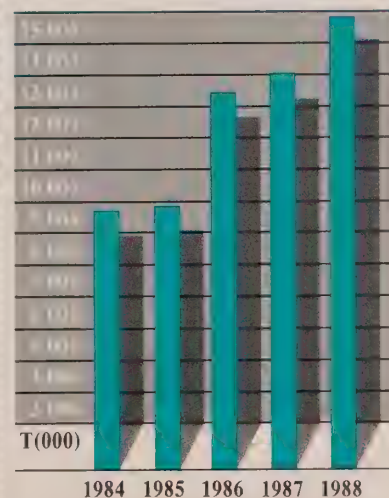
Forest products traffic grew by 17% to 812,000 tonnes.

Three shipping lines decide to make Saint John a regular port of call.

Positive net income for first year since 1984.

Port Council created to coordinate marketing.

### TOTAL TRAFFIC



## JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER

Significant progress was made in improving port performance in 1988. Traffic growth coupled with operating efficiencies have produced encouraging financial results. The port is now in a better position to compete in the highly competitive international market place.

### Traffic Growth

Cargo through the port increased by 14 percent to 14.9 million tonnes. Increases were realized in a number of important traffic sectors. Potash shipments were up 25 percent to 1.6 million tonnes and forest products increased by 17 percent to 812,000 tonnes on the strength of pulp and paper shipments. Petroleum traffic grew by 14 percent to 11.4 million tonnes. Other dry bulk commodities such as grain, sugar and salt continued at traditional volumes. While container traffic declined, there were encouraging signs of new traffic opportunities as during the year three shipping lines decided to begin regular calls at the port.

In 1988, the Corporation entered into a new long-term agreement with Forest Products Terminal Ltd. for the operation of the Navy Island forest products terminal. The year also brought a new operator for the port's grain elevator when Cargill Limited took over the operations of the terminal. These relationships provide further opportunities for continued traffic growth.

### Financial Highlights

Favourable traffic results coupled with effective control of operating expenses has produced a profit for the Corporation for the first time in four years. Revenue from operations increased to \$11.6 million while operating expenses were contained to the same level as the previous year. Income from operations before unusual items increased to \$2.4 million and net income reached \$2.1 million. These financial improvements contributed to a 39 percent increase in the cash and investment position of the Corporation. The results portrayed in the annual report demonstrate the achievement of the corporate objec-

tive of improving financial performance and achieving and sustaining a positive net income.

### Marketing Program

Significant advances were made in pursuing an active marketing program for the port. New Directors of Trade Development and Marketing joined the Corporation during the year. International marketing trips were made to the United Kingdom, Northern Europe, Scandinavia, several countries in South America and Greenland. In addition, the marketing program was expanded in North America. Market studies of selected traffic sectors identified potential new traffic opportunities for the port.

The Corporation continues to maintain close liaison with the provincial government with respect to trade development. The Board of Directors held a Board meeting in Fredericton, the provincial capital, and met with Cabinet Ministers, Members of the Legislative Assembly, and Deputy Ministers to outline the direction of the Corporation and progress being made.

The Saint John Port Council was created in 1988 to increase cargo traffic through the port and coordinate marketing activities. The Council is comprised of representatives of key organizations in the port including: railways, labor, steamship lines, terminal operators and stevedores, steamship agents and the Corporation. The Council will be an increasingly important forum on operational aspects of the port and cargo development opportunities.

### Note of Appreciation

The progress of the port is achieved through the collective efforts and support of people in many organizations. Our gratitude is extended to the men and women of the Corporation for their hard work and dedication in the past year. Companies working in and associated with the port, our many customers and port labor all played an important role in contributing to the successes of 1988. The continued support of the federal government, province of New Brunswick, Canada Ports Corporation, Mayor and Council of the City of Saint John and the Port Development Commission are greatly appreciated.



Kenneth R. Krauter

Harry P. Gaunce

### Future Outlook

We are confident of the ability of the port to continue to progress in traffic growth and financial performance in the coming year. An active marketing program directed at container and break-bulk traffic will strengthen the cargo base. The Corporation will continue to exercise sound management in order to meet its financial obligations and maintain profitability. This will increasingly enable the Corporation to make improvements to port facilities and terminals and better serve the needs of Canada's international trade.

Harry P. Gaunce  
Chairman of the Board

Kenneth R. Krauter  
General Manager and  
Chief Executive Officer



## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.

Minister of Transport:

We have examined the balance sheet of the Saint John Port Corporation as at December 31, 1988 and the statements of income, retained earnings, contributed capital and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Clarkson Gordon*

Chartered Accountants

Saint John, Canada,  
February 3, 1989.

## Balance Sheet as at December 31, 1988

(in thousands of dollars)

	1988	1987
Current:		
Cash	\$ 620	\$ 260
Investments (note 3)	8,427	6,253
Accounts receivable	1,512	1,208
Materials and supplies	46	93
	<u>10,605</u>	<u>7,814</u>
Long-term investments (note 3)	956	952
Fixed assets (note 4)	<u>79,960</u>	<u>82,734</u>
	<u>\$91,521</u>	<u>\$91,500</u>

## Liabilities and Equity of Canada

Current liabilities:		
Accounts payable and accrued charges	\$ 890	\$ 3,044
Deferred revenues	279	273
Grants in lieu of municipal taxes	103	
	<u>1,272</u>	<u>3,317</u>
Accrued employee benefits	398	425
Financing provided by a province (note 5)	<u>19,696</u>	<u>19,696</u>
Loans from Canada (note 6)	<u>20,052</u>	<u>20,052</u>
	<u>41,418</u>	<u>43,490</u>
Equity of Canada:		
Contributed capital (note 7)	49,372	49,372
Retained earnings (deficit)	731	(1,362)
	<u>50,103</u>	<u>48,010</u>
	<u>\$91,521</u>	<u>\$91,500</u>

(See accompanying notes)

On behalf of the Board:

*Harry P. Gaunce*

Harry P. Gaunce  
Chairman

*K. R. Krauter*

Kenneth R. Krauter  
General Manager and  
Chief Executive Officer

**Statement of Income**

(in thousands of dollars)

year ended December 31, 1988	1988	1987
Revenues:		
Harbour services	\$ 4,459	\$4,056
Rentals (note 8)	5,616	4,107
Shipping services and other	1,567	1,181
	<u>11,642</u>	<u>9,344</u>
Expenses:		
Salaries and employees' benefits	2,867	3,834
Purchased services	903	593
Energy and utilities	254	345
Operating and administrative	1,829	1,738
Grants in lieu of municipal taxes	727	54
Depreciation	2,700	2,659
Gain on disposal of fixed assets	(16)	(6)
	<u>9,264</u>	<u>9,217</u>
Income from operations before undernoted items	2,378	127
Unusual item:		
Gain on disposal of land	1,218	222
Income from operations	<u>3,596</u>	<u>349</u>
Investment income	860	702
Interest expense	(2,363)	(2,413)
	<u>(1,503)</u>	<u>(1,711)</u>
Net income (loss) for the year	\$ 2,093	\$(1,362)

**Statement of Contributed Capital**

(in thousands of dollars)

year ended December 31, 1988	1988	1987
Balance, beginning of year	\$49,372	\$ 79,209
Add: Forgiveness of non-interest bearing loans (note 7)		47,791
	<u>49,372</u>	<u>127,000</u>
Less: Contribution to Canada (note 7)	—	1,033
Deficit reduction (note 7)	—	76,595
Balance, end of year	<u>\$49,372</u>	<u>\$ 49,372</u>

**Statement of Retained Earnings**

(in thousands of dollars)

year ended December 31, 1988	1988	1987
Balance, beginning of year as previously reported	\$(1,362)	\$76,595
Deficit reduction (note 7)		76,595
Balance, as restated	<u>(1,362)</u>	<u>—</u>
Net income (loss) for the year	2,093	(1,362)
Balance, end of year	<u>\$ 731</u>	<u>\$(1,362)</u>

(See accompanying notes)



## Statement of Cash Flows (in thousands of dollars)

year ended December 31, 1988	1988	1987
Cash provided by (used in):		
Operations:		
Net income (loss) for the year	\$2,093	\$(1,362)
Add (deduct) items not requiring a cash payment:		
Depreciation	2,700	2,659
Gain on disposal of fixed assets	(1,234)	(228)
Other	9	(48)
	<u>3,568</u>	<u>1,021</u>
Net change in non-cash working capital balances related to operations (note 9)	<u>(2,300)</u>	<u>1,882</u>
Cash provided by operations	<u>1,268</u>	<u>2,903</u>
Financing:		
Repayment of loans from Canada	<u>—</u>	<u>(512)</u>
Investing:		
Additions to fixed assets	(785)	(1,039)
Proceeds on disposal of fixed assets	1,252	228
Recovery on Musquash Harbour Project	799	—
	<u>1,266</u>	<u>(811)</u>
Increase in cash and short-term investments during current year's activities	<u>2,534</u>	<u>1,580</u>
Cash and short-term investments, beginning of year	<u>6,513</u>	<u>4,933</u>
Cash and short-term investments, end of year	<u>\$9,047</u>	<u>\$6,513</u>

(See accompanying notes)

## Notes to Financial Statements December 31, 1988

### 1 Canada Ports Corporation Act and Incorporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was established effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation — Port of Saint John.

### 2 Significant accounting policies

#### (a) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.



*(b) Fixed assets*

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third

parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5 - 6.7
Berthing structures	2.5 - 10.0
Buildings	2.5 - 10.0
Utilities	3.3 - 10.0
Roads and surfaces	2.5 - 10.0
Machinery and equipment	5.0 - 100.0
Office furniture and equipment	20.0

*(c) Pension costs*

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

*(e) Grants in lieu of municipal taxes*

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

*(d) Insurance*

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

*(f) Employee benefits*

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

**3 Investments**

Investment are direct and guaranteed securities of Canada as follows:

(in thousands of dollars)

	1988		1987	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$8,427	\$8,780	\$6,253	\$6,479
Canada Bonds	\$ 956	\$1,000	\$ 952	\$1,000



## Fixed assets

Fixed assets consist of the following: (in thousands of dollars)

	1988		1987	
	Cost	Accumulated depreciation	Net Book Value	Net Book Value
Land	\$ 30,363		\$30,363	\$30,063
Dredging	1,967	\$ 1,479	488	507
Berthing structures	63,645	27,700	35,945	37,319
Buildings	15,566	8,047	7,519	7,941
Utilities	7,651	3,401	4,250	4,574
Roads and surfaces	4,779	4,097	682	936
Machinery and equipment	1,872	1,628	244	281
Office furniture and equipment	1,071	617	454	260
Work under construction	15		15	853
	\$126,929	\$46,969	\$79,960	\$82,734

## Financing provided by a province

The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost

of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1988 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately \$920,000.

## Loans from Canada

(in thousands of dollars)

	1988	1987
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	\$20,052	\$20,052

## Contributed Capital

In 1987, the non-interest bearing loans in the amount of \$47,791,000 were forgiven by Canada. This amount has been credited to contributed capital.

Payments from excess cash made in 1986 to Canada and treated as Contribution to

Canada in the amount of \$1,033,000 have been reclassified to contributed capital.

The Minister of Transport has approved a reduction of the deficit as at January 1, 1987 in the amount of \$76,595,000 with a corresponding reduction in contributed capital.

## Rental settlement

During the year, a rental dispute with several of the Corporation's tenants was settled. This dispute has been ongoing for several years and the Corporation had provided annually for its settlement based on their best estimate.

In 1988, \$398,000 representing the excess provision over the settlement amount was taken into income. 1987 rental income was reduced by a settlement provision of \$970,000.



## 9 Net change in non-cash working capital balances related to operations

This consists of the following:

(in thousands of dollars)

	1988	1987
Decrease (increase) in current assets:		
Accounts receivable	\$ (304)	\$ 862
Materials and supplies	48	36
	(256)	898
Increase (decrease) in current liabilities:		
Accounts payable and accrued charges	(2,153)	1,477
Deferred revenues	6	56
Grants in lieu of municipal taxes	103	(549)
	(2,044)	984
	\$ (2,300)	\$ 1,882

## 10 Related party transactions

During the year the Corporation paid \$728,000 (1987 — \$652,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

## 11 Comparative figures

The comparative figures have been reclassified to conform to the financial statement presentation adopted for 1988.

## BOARD OF DIRECTORS

**Harry P. Gaunce \***

Chairman  
President

Armstrong & Bruce Insurance Limited  
Saint John, N.B.

**Henry Meinhardt \***

Vice-Chairman  
President

Fundy Ventilation Limited  
Saint John, N.B.

**Fernand H. Lanteigne**

Owner/General Manager  
Les Chantiers Nord-Est Ltée  
Société du câble de la Péninsule  
Caraquet, N.B.

**Edgar R. Cohen**

Owner  
Hoffman's Limited  
Saint John, N.B.

**David R. MacPherson**

President and Business Manager  
IBEW, Local 502  
Saint John, N.B.

**Joseph V. Streeter \***

Investment Dealer  
RBC Dominion Securities Inc.  
Saint John, N.B.

**Shirley A. McAlary**

Agent  
Air Canada  
Saint John, N.B.

\* Members of the Executive Committee

## OFFICERS OF THE CORPORATION

**Harry P. Gaunce**

Chairman

**Henry Meinhardt**

Vice-Chairman

**Kenneth R. Krauter**

General Manager and Chief Executive Officer

**Peter D. Clark**

Director, Marketing

**R. Adam McBride**

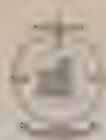
Director, Finance and Administration

**Captain Cy E. Pringle**

Director, Engineering and Operations

**Ardith L. Bartlett**

Corporate Secretary



## ST. JOHN'S PORT CORPORATION

### PERFORMANCE HIGHLIGHTS

1,064 vessels with total gross tonnage of approximately 3.1 million tonnes, called at the port in 1988.

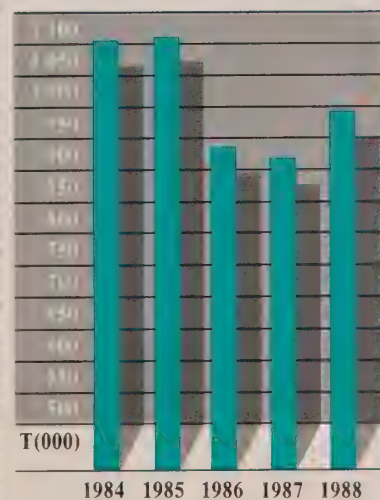
498,488 tonnes were handled at SJPC facilities, a 6.1% increase over 1987 figures.

Containerized cargo at SJPC facilities was 333,769 tonnes, or a total of 73,648 TEUs, a tonnage increase of 8% over 1987.

Operating income increased \$169,000 over 1987 operating income.

Revenues from operations up at \$2.7 million versus \$2.4 million in 1987.

### TOTAL TRAFFIC



## JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PORT MANAGER AND CHIEF EXECUTIVE OFFICER

The final results for the Corporation covering the year 1988 were better than our original forecast. Vessel arrivals at the port increased marginally at 3.6 percent, but the most significant increase was in the area of container traffic. Total containers handled increased by 16 percent, with a tonnage increase of 8 percent. The total tonnage through the port increased by 9 percent.

### Fiscal Highlights

Operating income of \$199,000 increased by \$169,000 over 1987. Our 1988 budget estimated a loss of \$135,000 in net income, but the port was successful in finishing the year with a profit of \$61,000. Revenue from operations at \$2.7 million was up from \$2.4 million in 1987.

Capital expenditures at \$1 million were below our original forecast; due mainly to the delay in the completion of the final phase of redevelopment at the Container Terminal. The final phase of this \$9.6 million redevelopment project includes a \$1.1 million fendering system now due for completion in early 1989. With the completion of this work, the Corporation will have a state-of-the-art general cargo, ro/ro and container operating facility.

During the year the borrowing program for this redevelopment was completed.

### Terminal Expansion

With the closure of the railway in the province in September, 1988, incoming traffic through the port has increased. This trend is expected to continue and will be a major factor in the projected traffic growth. The two current shipping companies operating into the port — Atlantic Searoute Limited from Halifax and Atlantic Container Express from Montréal, have plans to increase scheduled calls and, by late 1990, expect to have five vessels per week operating into St. John's.

The terminal operator has requested additional space and the Corporation is endeavouring to obtain vacant property adjoining the container terminal. Such negotiations are still active and the port is optimistic that they will be successfully concluded in early 1989.

### 1988 Objectives

The Special Examination of the Corporation, as required by the *Financial Administration Act*, was carried out in 1988. The Special Examiner found reasonable assurance that no significant deficiencies existed in the system and practices of the Corporation. Other areas referred to in the examination will be recognized in future planning.

The marketing study, included in our 1988 corporate plan, was carried out during the year. The objectives were to identify opportunities, outside of present activities that might exist, and to also ensure that operating procedures in place could readily identify problems and concerns of present port users.

The study emphasized that there was nothing the port could do about the decline in offshore and foreign fishing vessel activity. The Corporation should continue to concentrate on providing satisfactory service to present users.

### Future Outlook

The closure of the railway operation in the province and the agreement for the development of the Offshore Hibernia Oilfield were major factors affecting the future prospects for the Port of St. John's.

While offshore oil development is not expected to impact significantly on 1989 results, we do anticipate growth in cargo tonnage through the container terminal. The shipping companies are very optimistic that substantial growth will occur through 1989-1991. In anticipation of this growth, plans are in place for additional terminal expansion and we are making our views known on the future land use of railway property adjoining the container terminal location.

Construction requirements for offshore oil development are not expected to impact on port activities. Our objective is to have the supply vessels, which will be required to



Fred Milley

David J. Fox

service offshore production facilities, operate out of the Port of St. John's. This will be a factor in proposed future expansion of port facilities.

The Board was very pleased that the year-end results showed a profit as opposed to a projected loss position. The efforts of the Port Manager and staff in achieving this result are indeed appreciated. With this approach and an ongoing policy of co-operation and support for our customers and members of the port community, the overall outlook for the future of the Port of St. John's is a very optimistic one.

Fred Milley  
Chairman of the Board

David J. Fox P. Eng.  
Port Manager and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1988, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Chartered Accountants  
St. John's, Newfoundland  
February 17, 1989

## Balance Sheet as at December 31, 1988

Assets	1988	1987
Current		
Cash	\$ 36,008	\$ 83,548
Investments (Note 3)	1,920,228	863,594
Accounts receivable	361,184	284,223
	<u>2,317,420</u>	<u>1,231,365</u>
Fixed (Note 4)	14,563,595	14,332,175
	<u>\$16,881,015</u>	<u>\$15,563,540</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 776,689	\$ 495,085
Grants in lieu of municipal taxes	93,175	35,464
Deferred revenues	278,696	255,783
Current portion of loans from Canada	200,622	124,836
	<u>1,349,182</u>	<u>911,168</u>
Accrued employee benefits	107,324	87,764
Loans from Canada (Note 5)	3,132,162	2,332,784
	<u>4,588,668</u>	<u>3,331,716</u>
Equity		
Contributed capital	10,131,636	10,131,636
Surplus	2,160,711	2,100,188
	<u>12,292,347</u>	<u>12,231,824</u>
	<u>\$16,881,015</u>	<u>\$15,563,540</u>
Contingencies (Note 6)		

On behalf of the Board:

Fred Milley  
Chairman

David J. Fox P. Eng.  
Port Manager and  
Chief Executive Officer



### Statement of Income and Surplus

year ended December 31, 1988	1988	1987
Revenue from operations	\$2,707,306	\$2,433,220
Operating and administrative expenses	1,718,025	1,527,745
Depreciation	747,357	808,049
Grants in lieu of municipal taxes	57,711	52,224
	<u>2,523,093</u>	<u>2,388,018</u>
Income from operations	184,213	45,202
Investment income	135,778	230,480
Interest expense	(259,468)	(146,785)
Net income	60,523	128,897
Surplus, beginning of year	2,100,188	2,123,765
	<u>2,160,711</u>	<u>2,252,662</u>
Dividend to Canada	—	152,474
Surplus, end of year	<u>\$2,160,711</u>	<u>\$2,100,188</u>

### Statement of Changes in Financial Position

year ended December 31, 1988	1988	1987
Cash provided from (used for)		
Operating activities		
Net income	\$ 60,523	\$ 128,897
Depreciation	747,357	808,049
Other non-cash items	5,199	7,938
	<u>813,079</u>	<u>944,884</u>
Changes in		
Accounts receivable	(76,961)	10,925
Accounts payable and accrued liabilities	281,604	215,054
Grants in lieu of municipal taxes	57,711	(65,226)
Deferred revenues	22,913	84,364
Current portion of loans from Canada	75,786	68,003
	<u>1,174,132</u>	<u>1,258,004</u>
Financing activities		
Loans from Canada	799,378	875,164
Dividend to Canada	—	(152,474)
	<u>799,378</u>	<u>722,690</u>
Investing activities		
Proceeds on disposal of investments	—	936,295
Proceeds on disposal of fixed assets	20,283	57,900
Purchase of fixed assets	(984,699)	(5,040,968)
	<u>(964,416)</u>	<u>(4,046,773)</u>
Net cash provided (used)	1,009,094	(2,066,079)
Cash and short term investments, beginning of year	947,142	3,013,221
Cash and short term investments, end of year	<u>\$1,956,236</u>	<u>\$ 947,142</u>

### Notes to Financial Statements December 31, 1988

**1** In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of St. John's to the St. John's Port Corporation.

### **2** Significant accounting policies

#### *a) Investments*

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

#### *b) Fixed assets*

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

#### *c) Pension Costs*

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.



*d) Grants in lieu of municipal taxes*

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

*e) Employee benefits*

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

**Investments**

	1988		1987	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$1,920,228	\$1,935,300	\$ 863,594	\$ 897,300

**Fixed Assets**

1988				1987	
	Depreciation Rate	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$ 4,643,700		\$ 4,643,700	\$ 4,643,700
Berthing structures	2.5-10%	8,170,054	\$5,404,346	2,765,708	2,821,573
Buildings	2.5-10%	1,615,922	1,225,289	390,633	421,406
Utilities	3.3-10%	3,123,735	675,359	2,448,376	2,580,329
Roads and surfaces	2.5-10%	4,173,992	896,653	3,277,339	3,586,506
Machinery and equipment	5-100%	222,257	77,441	144,816	145,948
Office furniture and equipment	20%	159,543	113,837	45,706	63,275
Projects under construction		847,317	—	847,317	69,438
		\$22,956,520	\$8,392,925	\$14,563,595	\$14,332,175



## 5 Loans from Canada

	1988	1987
Loans, bearing interest at 9.33% to 10.015%, maturing between 1997 and 2000, repayable in equal instalments of principal and interest of \$521,516.	\$3,332,784	\$2,457,620
Principal instalments payable within one year	200,622	124,836
	<b>\$3,132,162</b>	<b>\$2,332,784</b>

The loans are unsecured.

Annual principal repayments in each of  
the next five years are as follows:

1989 — \$200,622; 1990 — \$220,036;  
1991 — \$241,331; 1992 — \$264,689;  
1993 — \$290,309.

## 6 Contingent liabilities

Claims aggregating approximately  
\$364,000 arising from alleged damages  
suffered on the Corporation's property  
have been received by the Corporation.  
The Corporation is a third party defend-  
ant, and has denied any liability, and no  
material loss is anticipated.

In addition, claims aggregating approxi-  
mately \$170,000 have been received arising  
from quantity overruns on capital projects.  
The Corporation is disputing these claims  
and no material loss is anticipated.

## 7 Subsequent event

Subsequent to the balance sheet date, the  
Corporation received approval of a capital  
grant in the amount of \$3,400,000 from  
the federal government. The funds will be  
advanced to the Corporation over the  
years 1989 to 1991, and will be used to  
extend and upgrade port facilities.

## BOARD OF DIRECTORS

**Fred Milley**  
Chairman  
St. John's, Nfld.

**Faith Good**  
Vice-Chairman  
St. John's, Nfld.

**Tom Osborne**  
Owner  
Tom Osborne Real Estate  
St. John's, Nfld.

**Paul Reynolds**  
Training Supervisor, Motorist Sales  
Ultramar Canada Inc.  
St. John's, Nfld.

**Michael Walsh**  
General Chairman  
Transportation Communications  
International Union  
St. John's, Nfld.

**Dermot Dobbin**  
President  
BRADCO  
St. John's, Nfld.

**Art Puddister**  
Manager  
Puddister Trading Co.  
St. John's, Nfld.

## OFFICERS OF THE CORPORATION

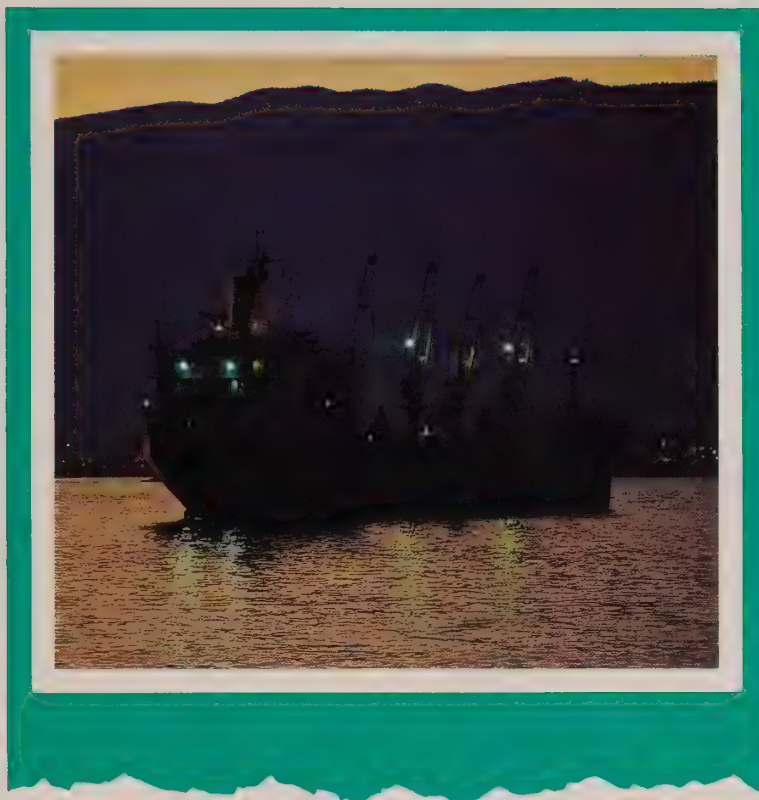
**Fred Milley**  
Chairman

**Faith Good**  
Vice-Chairman

**David J. Fox**  
Port Manager and Chief Executive Officer

**Brian Scott**  
Manager, Finance

**Keith F. Rose**  
Corporate Secretary

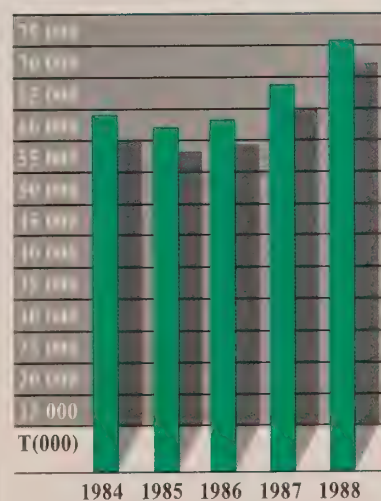


## VANCOUVER PORT CORPORATION

### PERFORMANCE HIGHLIGHTS

- Port sets all-time tonnage record at 71.3 million tonnes.
- Bulk commodities lead cargo performances: wood chips up 30.9%; coal up 26.1%.
- Port Economic Impact Study completed.
- Marketing reps appointed in 10 Asian countries.
- New cruise record set: 324,261 passengers, 209 sailings.
- Employment equity program formally adopted.

### TOTAL TRAFFIC





## JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PORT MANAGER AND CHIEF EXECUTIVE OFFICER

### A Strategy of Strengths

By emphasizing its traditional strengths, the Port of Vancouver achieved its most successful year ever in 1988; recording a throughput of 71.3-million tonnes.

The export clout of western Canada's vast resources combined with the port's skills as a bulk handler to produce 86.5 percent of this total; some 60 percent of which represents trade with Asia-Pacific countries.

In addressing its role in the port's performance, the Vancouver Port Corporation (VPC) moved on several strategic fronts; ranging from land management and port development to marketing and employee relations. Financial self-sufficiency was a key corporate discipline; resulting in VPC reporting net income of \$38.1 million for the year. This figure includes a gain on sale of land.

### Record Cargo Performance

The spectacular tonnage performance achieved by the port's public and privately-owned cargo terminals was again led by the coal sector; posting a 26.1 percent gain over 1987. Major buyers of Canadian commodities were Japan, Korea and China.

Monitoring world market conditions, VPC noted continuing strong demand from the Japanese steel industry during 1988. Grain tonnage is expected to drop significantly in 1989, as Canadian producers contend with the consequences of severe Prairie drought. In the forest products sector, some softening in the lumber market was detected; however the performance of wood chips exceeded expectations with a 30.9 percent jump over 1987.

The port achieved record volumes in containers; 305,738 TEUs; or an increase of 8.5 percent. This performance was particularly remarkable, in view of the fact that industry sources reveal that 1988 saw an overall decline in the number of containers entering North America from the Pacific Rim. Moreover, Vancouver is recovering significant percentages of containers formerly being diverted to competing US ports prior to the resolution of the container clause issue. VPC noted an effective first 8-months of operation for the B.C. Container Gateway Council, chaired by Captain Perry.

### Proactive Approaches

The twin imperatives of aggressive marketing and informed port development paced VPC's commitment to maintain Canada's largest port as a full service facility. In September, VPC appointed Jardine Shipping Agencies, Singapore, as marketing representatives for the Port of Vancouver in 9 Asian countries. Aurora Shipping of Tokyo represents the port in Japan. The Corporation logged three off-shore marketing missions (two Asian, one European) which included representatives of both the BCMEA and the ILWU.

Driving home the wide-spread benefits of port activities, VPC distributed results of its 10-month Economic Impact Study to government, industry and business, both locally and nationally.

### Balancing Development and Competition

In common with other ports world-wide, the Port of Vancouver honed its port development strategies during 1988; seeking broader technical, commercial, and community data. VPC's land management programme will be further strengthened with completion of the Marine Recreational Use Study, and policies to support a Public Information Process for port development; both begun during 1988.

### People Make Performance

Again in 1988 — it was VPC's "Port People" who produced the Corporation's excellent performance. We salute their outstanding efforts; our forward-thinking



Francis J. MacNaughton

Captain Hector D. Perry

Board of Directors, experienced management, and skilled staff worked as a team in a time of rapid change and expanding challenge.

We applaud as well our colleagues in the private sector. Together, we have earned Vancouver's #1 standing as "Canada's Front Door on the Pacific."

Captain Hector D. Perry  
Chairman of the Board

Francis J. MacNaughton  
Port Manager and Chief Executive Officer



## AUDITORS' REPORT

To the Honourable Benoît Bouchard,  
P.C., M.P.

Minister of Transport

We have examined the balance sheet of Vancouver Port Corporation as at December 31, 1988 and the statements of income and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations and the charter and by-laws of the Corporation.

*Thorne Ernst & Whinney*

Chartered Accountants

Vancouver, British Columbia

February 2, 1989

## Balance Sheet as at December 31, 1988

(in thousands of dollars)

Assets	1988	1987
Current Assets		
Cash	\$ 849	\$ 527
Investments (note 1)	87,218	54,518
Accounts receivable	8,644	6,870
Materials and supplies	363	306
	<u>97,074</u>	<u>62,221</u>
Long-term receivables (note 2)	7,120	7,519
Property and Equipment (note 3)	<u>187,492</u>	<u>181,751</u>
	<u>\$291,686</u>	<u>\$251,491</u>
<b>Liabilities and Equity of Canada</b>		
Current Liabilities		
Accounts payable and accruals	\$ 10,598	\$ 2,367
Grants in lieu of municipal taxes	6,316	5,979
Deferred revenues	<u>2,326</u>	<u>2,550</u>
	<u>19,240</u>	<u>10,896</u>
Accrued employee benefits	1,164	1,169
Loan from Canada (note 4)	<u>3,734</u>	<u>3,949</u>
	<u>24,138</u>	<u>16,014</u>
Equity of Canada		
Contributed capital	88,273	88,273
Retained earnings	<u>179,275</u>	<u>147,204</u>
	<u>267,548</u>	<u>235,477</u>
	<u>\$291,686</u>	<u>\$251,491</u>
Commitment and contingency (note 5)		

Approved by the Board:

Captain Hector D. Perry  
Chairman

Colin B. Warner  
Director



## Statement of Income and Retained Earnings

(in thousands of dollars)

year ended December 31, 1988	1988	1987
Operating revenue	\$ 51,780	\$ 46,657
Expenses		
Operating and administrative expenses	19,441	17,715
Grants in lieu of municipal taxes	4,423	5,133
Depreciation	6,442	6,352
	30,306	29,200
Income from operations	21,474	17,457
Investment income	6,952	4,074
Interest expense	(343)	(325)
	6,609	3,749
Income before unusual item	28,083	21,206
Unusual item		
Gain on sale of land	10,000	—
Net Income	38,083	21,206
Retained earnings at beginning of year	147,204	131,814
	185,287	153,020
Less cash payment to Canada	6,012	5,816
Retained earnings at end of year	\$179,275	\$147,204

## Statement of Changes in Cash Resources

(in thousands of dollars)

year ended December 31, 1988	1988	1987
Cash provided by (used for):		
Operations		
Net income	\$38,083	\$21,206
Items not involving cash		
Depreciation	6,442	6,352
Gain on sale of land	(10,000)	—
Other	479	111
Changes in non-cash operating working capital	6,513	(2,441)
	41,517	25,228
Financing		
Loans from Canada currently payable	(215)	(199)
Cash payment to Canada	(6,012)	(5,816)
	(6,227)	(6,015)
Investments		
Additions to property and equipment	(12,746)	(4,007)
Proceeds on sale of land	10,000	—
Other	478	426
	(2,268)	(3,581)
Increase in cash resources	33,022	15,632
Cash resources at beginning of year	55,045	39,413
Cash resources at end of year	\$88,067	\$55,045

Cash resources are defined to include cash and investments.

## Notes to Financial Statements year ended December 31, 1988

### General

The Vancouver Port Corporation was established effective July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act* and is a parent crown corporation named in Schedule III, Part II of the *Financial Administration Act*. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and administer the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the *Canada Ports Corporation Act*.

### Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

#### Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

#### Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.



### Insurance

Except for property insured by tenants and contractors, the Corporation assumes all risks against fire and property damage, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the period incurred.

### Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

### Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

### Investments

Current investments are in Government of Canada treasury bills and at December 31, 1988 and 1987 the market value of the treasury bills approximated carrying value.

**2**

## Long-term receivables

(in thousands of dollars)

	1988	1987
Non-interest-bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	\$3,947	\$3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6 <sup>5</sup> / <sub>8</sub> % per annum, payable in blended annual instalments of \$462,916, maturing December 31, 1996	2,805	3,065
Less current portion	(277)	(260)
	<u>2,528</u>	<u>2,805</u>
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5 <sup>3</sup> / <sub>4</sub> % per annum, payable in annual instalments of \$117,720 plus interest, maturing August 1, 1994	706	824
Less current portion	(117)	(118)
	<u>589</u>	<u>706</u>
Other	<u>56</u>	<u>61</u>
	<u>\$7,120</u>	<u>\$7,519</u>

**3**

## Property and Equipment

(in thousands of dollars)

	1988		1987	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 76,403	—	\$ 76,403	\$ 76,403
Dredging	366	\$ 190	176	188
Berthing structures	51,490	24,271	27,219	28,309
Buildings	43,963	10,490	33,473	33,892
Utilities	13,740	5,830	7,910	8,036
Roads and surfaces	30,639	17,043	13,596	15,184
Machinery and equipment	26,467	10,483	15,984	17,088
Office furniture and equipment	2,821	1,448	1,373	775
Projects under construction	11,358	—	11,358	1,876
	<u>\$257,247</u>	<u>\$69,755</u>	<u>\$187,492</u>	<u>\$181,751</u>

**4 Loan from Canada**

(in thousands of dollars)

	1988	1987
Interest-bearing loans at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	\$3,949	\$4,148
Less current portion	(215)	(199)
	<u>\$3,734</u>	<u>\$3,949</u>

Principal repayment requirements over the next five years are as follows:

1989	\$ 215,000
1990	230,000
1991	248,000
1992	266,000
1993	286,000
	<u>\$ 1,245,000</u>

**5 Commitment and Contingency**

The Corporation has long-term lease obligations of varying durations to 1991 for office accommodation aggregating \$1,655,000 with annual payments in each of the three years of:

1989	\$ 662,000
1990	662,000
1991	331,000
	<u>\$ 1,655,000</u>

At December 31, 1988 the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$6.6 million greater than the amount accrued in the financial statements.

**6 Related Party Transactions**

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and crown corporations.

In addition to the loan from Canada disclosed in note 4, the Corporation paid \$1,779,000 (1987, \$1,594,000) to Canada Ports Corporation as its share of that corporation's operating expenses and paid \$6,012,000 to Canada as a cash payment in the current year. The Corporation has been requested to consider making a cash payment based on a percentage of its 1988 net income, payable to Canada by March 31, 1989.

**BOARD OF DIRECTORS**

**Captain Hector D. Perry** °

Chairman  
Ganges, B.C.

**Jane E. Frost** \*\*/°/°°

Vice-Chairman  
Vancouver, B.C.

**Laurie G. Maranda** \*/\*\*/°°

Vice President  
Choukalos, Woodburn, McKenzie,  
Maranda Ltd.,  
Consulting Engineers  
Vancouver, B.C.

**Richard I. Nelson** \*/°

Vancouver, B.C.

**Gary C.H. Short** \*\*

Vancouver, B.C.

**Rodney A. Snow** °/°°

Barrister and Solicitor  
Davis & Co.  
Vancouver, B.C.

**Colin B. Warner** \*

Senior Vice President  
Finance and Distribution  
Weldwood of Canada Limited  
Vancouver, B.C.

\* Member, Audit Committee

\*\* Member, Planning and Budget Committee

° Member, Executive Committee

°° Member, Economic Development and  
Community Relations Committee

**OFFICERS OF THE CORPORATION**

**Captain Hector D. Perry**

Chairman

**Francis J. MacNaughton**

Port Manager and Chief Executive Officer

**Captain Norman C. Stark**

Deputy Port Manager and  
Chief Operating Officer

**Donald G. Buggie**

Assistant Port Manager, Administration

**Phil L. Clark**

Assistant Port Manager,  
Corporate Development

**Thomas A. Shortridge**

Assistant Port Manager, Port Services

**Robin B.L. Kimpton**

Corporate Secretary



## CORPORATE DIRECTORY

### Board of Directors

**The Honourable A.R. Huntington**

Chairman  
Ottawa, Ont.

**William Marsh**

Vice-Chairman  
Sydney, N.S.

**Jean Michel Tessier**

President and Chief Executive Officer  
Canada Ports Corporation  
Ottawa, Ont.

**Dr. John Balkwill**

Kanata, Ont.

**Ronald Corey**

Chairman, Montréal Port Corporation  
President, Club de Hockey Canadien, Inc.  
President, Montréal Forum Inc.  
Montréal, Que.

**Robert Dowling**

President, Cavell Drugs Ltd.  
Jasper, Alta.

**Brian Keple**

President  
Regina Cartage & Storage  
Regina, Sask.

**Richard K. Lester**

Vancouver, B.C.

**A.R. "Sandy" MacLean**

Principal  
Dalhousie Regional High School  
Dalhousie, N.B.

**C. Peter MacLean**

Vice President  
J.W. MacDonald & Company Ltd.  
New Glasgow, N.S.

**Arnold E. Masters**

Nun's Island, Que.

**Donald A. Parker**

Chairman  
Halifax Port Corporation  
Halifax, N.S.

**Captain H.D. Perry**

Chairman  
Vancouver Port Corporation  
Ganges, B.C.

**James B. Powers**

President and General Manager  
Labrador Construction Co. Ltd.  
St. John's, Nfld.

**Wallace S. Turnbull, Q.C.**

Partner  
Clark, Drummie & Company  
Saint John, N.B.

**Robert H. Vandewater**

Vice President and Sr. Account Executive  
Wood Gundy Inc.  
Winnipeg, Man.

### Officers of the Corporation

**The Honourable A.R. Huntington**

Chairman

**William Marsh**

Vice-Chairman

**Jean Michel Tessier**

President and Chief Executive Officer

**Hassan J. Ansary**

Executive Vice President

**Camille A. Guérin**

Vice President, Finance and Administration

**T.A. Lauzon**

Senior Port Manager

**Christos Sampson**

Director General, Police & Security

**Thomas E. Gallagher**

Director, Senior Counsel  
Common Law

**Pierre Woods**

Director, Senior Counsel  
Civil Law

**Roza Aronovitch**

Corporate Secretary

### Executive Committee

Chairman:	The Honourable A.R. Huntington
Vice-Chairman:	William Marsh
Members:	Dr. John Balkwill Ronald Corey Captain H.D. Perry Jean Michel Tessier Robert H. Vandewater

### Audit Committee

Chairman:	Robert H. Vandewater
Members:	Ronald Corey A.R. "Sandy" MacLean C. Peter MacLean James B. Powers

### Corporate Planning and Budget Committee

Chairman:	James B. Powers
Members:	Robert Dowling Richard K. Lester Arnold E. Masters Wallace S. Turnbull

### Police Committee

Chairman:	Brian Keple
Members:	D. Cassidy (Member at large) The Honourable K.A. Flanigan (Member at large) The Honourable A.R. Huntington Donald A. Parker Jean Michel Tessier Wallace S. Turnbull



## MAILING ADDRESSES

### Canada Ports Corporation

National Office  
99 Metcalfe Street  
Ottawa, Ontario  
K1A 0N6  
Tel.: (613) 957-6787

Port of Belledune  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

Ports of Chicoutimi/ Baie des Ha! Ha!  
Lafontaine Street  
P.O. Box 760  
Chicoutimi, Que.  
G7H 5E1  
Tel.: (418) 543-0263

Port of Churchill  
P.O. Box 217  
Churchill, Man.  
R0B 0E0  
Tel.: (204) 675-8823

Port Colborne  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

Port of Prescott  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

Port of Sept-Îles  
421 Arnaud Street  
Suite 202  
Sept-Îles, Que.  
G4R 3B3  
Tel.: (418) 968-1231

Port of Trois-Rivières  
1545 du Fleuve Street  
P.O. Box 999  
Trois-Rivières, Que.  
G9A 5K2  
Tel.: (819) 378-3939

### Local Port Corporations

Halifax Port Corporation  
Ocean Terminals  
P.O. Box 336  
Halifax, N.S.  
B3J 2P6  
Tel.: (902) 426-3643

Montréal Port Corporation  
Port of Montréal Building  
Cité du Havre, Wing No. 1  
Montréal, Que.  
H3C 3R3  
Tel.: (514) 283-7042

Prince Rupert Port Corporation  
110-3rd Avenue W.  
Prince Rupert, B.C.  
V8J 1K8  
Tel.: (604) 627-7545

Port of Québec Corporation  
150 Dalhousie Street  
P.O. Box 2268  
Québec, Que.  
G1K 7P7  
Tel.: (418) 648-3558

Saint John Port Corporation  
133 Prince William Street  
P.O. Box 6429, Str. A  
Saint John, N.B.  
E2L 4R8  
Tel.: (506) 648-4869

St. John's Port Corporation  
3 Water Street  
P.O. Box 6178  
St. John's, Nfld.  
A1C 5X8  
Tel.: (709) 772-4582

Vancouver Port Corporation  
1900 Granville Square  
200 Granville Street  
Vancouver, B.C.  
V6C 2P9  
Tel.: (604) 666-8978

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TA66  
-R25



# Ports Canada

1989 ANNUAL REPORT



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## Ports Canada Profile

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Chicoutimi/Baie des Ha! Ha!, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their own port. In providing a public service, the ports are administered according to common commercial principles.

The Canada Ports Corporation's National Office is located in Ottawa.

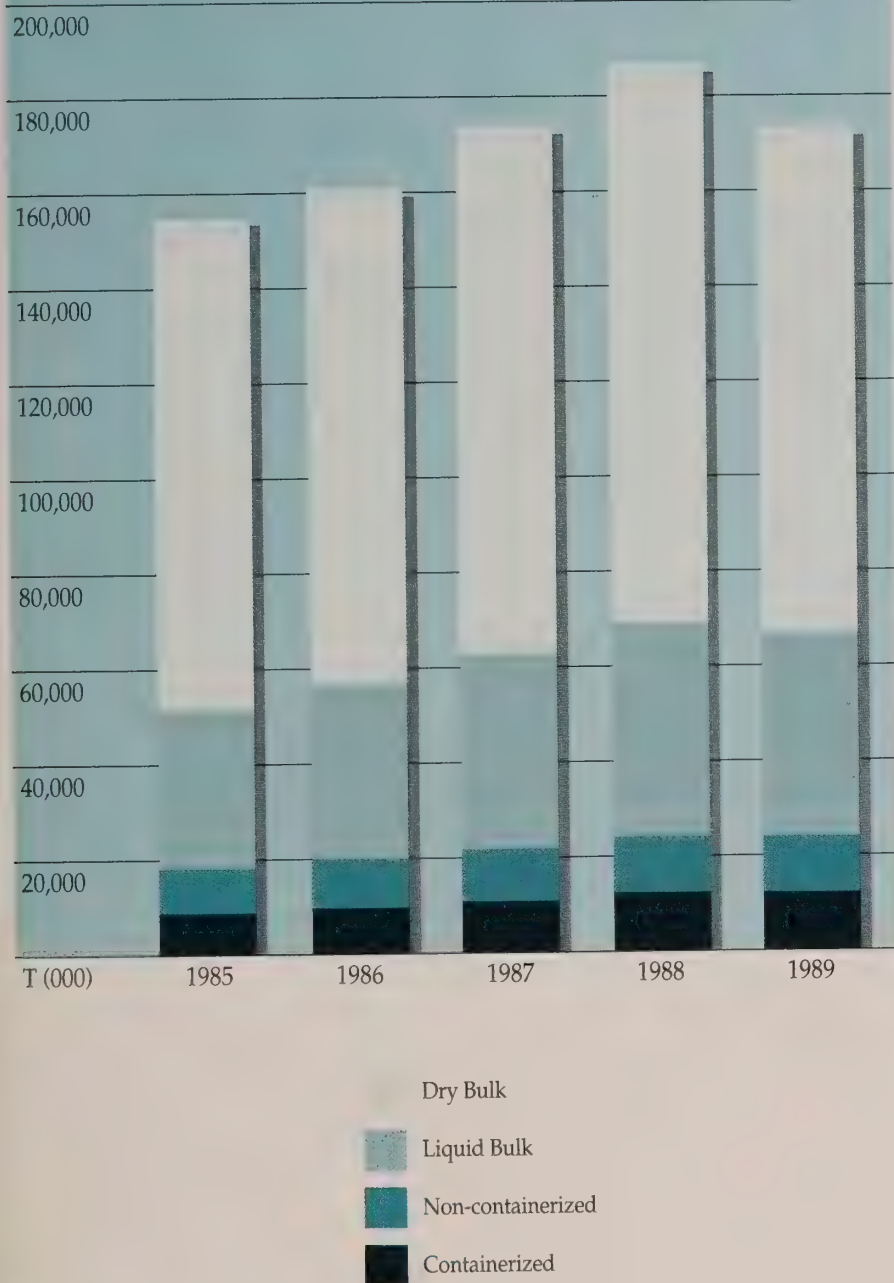
*If you would like to receive a copy of the annual report, please write to Ports Canada, Corporate Services, 99 Metcalfe Street, Ottawa, Ontario K1A 0N6.*

*Pour recevoir ce rapport en français, prière de s'adresser à Ports Canada, Services de la Société, 99 rue Metcalfe, Ottawa (Ontario) K1A 0N6.*



## Ports Canada Perspective

Five Year Review of Traffic



**T**otal port traffic refers to cargo handled through terminals administered by Ports Canada, as well as traffic through private facilities within the jurisdiction of the port. In 1989, Ports Canada ports handled 174.2 million tonnes, a 6.8 percent drop from the volume reported a year earlier. Of this total, 143.9 million tonnes, or 83 percent, were handled collectively by the seven local port corporations and 30.2 million tonnes, or 17 percent, by the Canada Ports Corporation. The main reason for the decline was a continuing slide in grain exports which was felt by all the major ports in the system. Other major commodities such as coal and petroleum products also experienced declines in traffic movements.

Total tonnage handled through Ports Canada berths in 1989 was 76.1 million tonnes, down 8 percent from 82.7 million tonnes recorded in 1988. The seven local port corporations handled 72.6 million tonnes, a decline also of 8 percent from the 78.8 million tonnes handled the previous year. Total tonnage through Canada Ports Corporation facilities in 1989 was 3.5 million tonnes, down close to 9 percent from 3.9 million tonnes in 1988.

Total grain shipments handled across the Ports Canada system were down again in 1989 to 19.2 million tonnes, or 26.2 percent, from 26 million tonnes in 1988. The ports of Saint John, Québec, Trois-Rivières, Montréal and Vancouver were particularly affected by this continued downturn in the industry.

Coal shipments were down by 2.5 percent as well, to 31.2 million tonnes from the reported 32 million tonnes a year earlier.

A total of 12.4 million tonnes of containerized traffic, or 1.4 million TEUs (twenty foot equivalent units) were handled through Ports Canada facilities, a slight drop from 12.5 million tonnes in 1988. Results were favorable at the Port of Halifax with a 10 percent increase over last year, while decreases were recorded at the other two major container ports. The Port of Montréal recorded a 6.5 percent decrease, and the Port of Vancouver handled 3.2 percent less containerized traffic than last year. The Port of St. John's enjoyed an 18 percent improvement over last year in its volume of containerized domestic cargo.

Non-containerized general cargo experienced a minor decline of 1.2 percent to 11.8 million tonnes in 1989.



# Ports Canada Financial Review

## Ports Canada Five Year Financial Review

(in millions except for average number of employees and ratios)

	1989	1988	1987	1986	1985
<b>Financial results</b>					
Revenue from operations	\$ 169.9	\$ 169.5	\$ 169.9	\$ 159.9	\$ 153.7
Operating expenses	147.5	140.9	140.0	138.1	130.3
Operating income	22.3	28.6	29.9	21.8	23.4
Investment income – net	24.9	20.9	16.0	18.9	26.8
Net income before RTI*	48.7	62.9	46.1	42.1	51.9
Cash provided by operating activities	59.8	96.2	69.3	58.1	76.4
<b>Financial position at year end</b>					
Working capital	\$ 179.7	\$ 183.0	\$ 148.6	\$ 114.2	\$ 211.7
Fixed assets – at cost	1,124.2	1,056.9	1,015.4	990.1	962.3
Total assets	1,004.5	960.4	895.5	863.5	974.2
Equity of Canada	846.5	785.5	737.4	227.8	322.3
Capital expenditures	\$ 77.6	\$ 49.7	\$ 33.8	\$ 50.2	\$ 64.1
<b>Federal capital financing</b>					
Grants	\$ 4.8	\$ 2.8	\$ 2.1	\$ 13.5	\$ 14.3
Loans	4.5	1.0	1.0	4.1	5.2
<b>Employees</b>					
Average number of employees	1,208	1,291	1,344	1,452	1,517
<b>Ratios</b>					
Operating revenue/tonne	\$ 0.98	\$ 0.91	\$ 0.98	\$ 0.99	\$ 0.99
Tonnes/employee	144,170	144,711	129,455	110,840	102,307
Cash from operating activities/total assets	6.0%	10.0%	7.7%	6.7%	7.8%

\* Ridley Terminals Inc.

Revenues from operations for Ports Canada rose to \$170 million in 1989. Most of the system's ports were able to maintain at least the same level of revenues as in 1988, in spite of declines in traffic volumes. A serious drop in the volume of grain handled was felt across the system in 1989. Total grain tonnage amounted to 19 million tonnes in 1989 compared to 26 million tonnes in 1988. Nevertheless, the strong revenue-generating ability of other commodities compensated for the slower year in grain.

Operating expenses of \$148 million reflect an increase of 5 percent. While a reduction in some expenses was observed in 1989 in defiance of inflation, two components that lead to the overall increase were grants in lieu of municipal taxes, and depreciation charges related to new upgraded facilities in a number of locations. Operating income of \$22 million was recorded for 1989 while funds from operations, being operating income before depreciation, were \$51 million. Investment income was \$25 million in 1989, an improvement of \$4 million over 1988. This increase in investment income reflects larger investment bases at several ports, as well as a rise in the general level of interest rates. Funds generated by operations and investments provide a needed source of financing for future capital projects required to enable the ports to remain competitive and effective.

The net income for Ports Canada, before the \$3 million share in the loss of Ridley Terminals Inc., was \$49 million in 1989 compared to \$63 million in 1988. The 1988 results included an unusual gain on the disposal of land recorded at Vancouver and Saint John.

In 1989 Ports Canada declared and paid dividends of \$13 million based on the 1988 financial results. By means of a grant of \$27 million from Canada to Canada Ports Corporation, an amount equivalent to the 1988 and 1989 Ports Canada dividend payments and earned interest, an interport loan fund was created in May 1989. This fund will be an alternative source of financing for financially viable capital projects of the eight Ports Canada corporations.

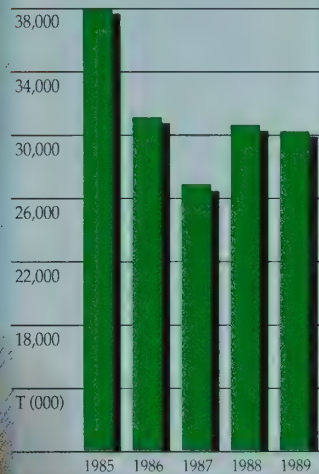
During the year, Ports Canada invested \$78 million in capital projects. Of this amount, \$68 million was provided by internally generated funds. Major capital projects undertaken in 1989 included the expansion and upgrading of port facilities at Prince Rupert, Vancouver, and Montréal. This level of capital investment reflects the system's ongoing commitment to provide the most modern and efficient port facilities as is economically feasible.



# Canada Ports Corporation



Total Traffic





## Message from the Chairman of the Board



A.R. Huntington

**T**he 1980s delivered profound change to the global marketplace in which the providers and users of transportation services work. Canada's major commercial ports have been adjusting to the direct effect of changing traffic routes, new technology, new pricing practices and of course changes in the rules by which transportation services are governed.

Although infrastructure for the moving, handling and loading of bulk resource and forest products is generally state-of-the art in Canada, we have a continuing concern for the competitiveness and long term viability of rail carriers providing an east-west intermodal corridor. Our ports are rail dependant, and our ability to compete with US ports is, in part, related to the competitiveness of Canadian rail vis-a-vis US rail.

A second priority issue is the increasing awareness of practices that could adversely affect our environment. The Boards within Ports Canada are seized of these concerns and port planning and emergency response measures are being adjusted accordingly. We are encouraged by the efforts of Ports Canada Police and Harbour Masters in upgrading operational regulations and practices affecting environmental protection.

A third priority concern facing Boards within Ports Canada is the increasing pressure for non-port related use of port lands adjacent to deep water. The interests of hinterland port users and the benefit of the economic multiplier effect from port activity, are increasingly in conflict with local urban neighbourhoods and civic interests. In the year ahead, we will review and attempt to improve the process for dealing with local interests.

The minimum threshold for return on investment among ports in various North American jurisdictions, remains a concern. The commercial principles by which we operate and the user pay standards we impose can be sustained, only if the ports with whom we compete, operate under similar standards. In the short term, we expect intense competition and instability. However over the long term, we believe that Canadians will be served best by ports that are planned and managed on a financially sound basis.

In 1989, the port corporations reached consensus on a proposal to amend their levels of delegated authority. If approved by the Ministers of Transport and Treasury Board, the higher authorities will provide port corporations with greater autonomy

as intended by our legislation. We are upgrading our review processes for this increased level of responsibility.

The CPC Board continues to be very pleased with the performance of the local port corporations. The interface between staff and Boards is delivering well balanced and progressive initiatives.

We look forward to the exciting commercial role which is evolving for the divisional ports of Belledune and Sept Îles as we prepare for major industrial installations.

In 1989, the EDI committee of the Board and the staff of the Canada Ports Corporation have played an exploratory and catalyst role in the evolution of Electronic Data Interchange. The year ahead should see implementation of this technology within the Canadian intermodal freight network with direct links to Canada Customs for clearance while goods are moving. We have learned much from other systems around the globe and we are confident Canadian interests will be well served by these efforts.

At the request of our ports, the CPC Board has established a committee to assess the competitiveness of Canadian container gateways and routings. This project is complicated by the intense competition and fast pace of change in the inter-modal marketplace. The production of useful research and recommendations on our strategic options, will require the cooperation of all persons, agencies and entities interested in sustaining competitive Canadian intermodal routings. We believe that future decisions must be based on an understanding of the factors that determine the competitiveness of our ports and the inland corridors on which we depend.

On behalf of the Board of Directors, I thank the President, Mr. Jean Michel Tessier and his management team for the dedication they continue to give to the Corporation and to the Ports Canada system.

We believe the Minister of Transport has been well served by progress at the local and national level. We look forward to another year of achievement under his guidance.

The Honourable A.R. Huntington



## Message from the President and Chief Executive Officer



Jean Michel Tessier

With the close of 1989 came the end of an eventful decade, not only for the Corporation but also for the entire maritime industry internationally. The world maritime scene, particularly that of North America, was jolted with the introduction, in the United States, of deregulating initiatives that legislated into practice the laws paramount in the market-place. Canada followed suit and the transportation sector received the much-needed regulatory reform, blessed by all concerned, particularly the shipper.

Canada Ports Corporation reaped immense benefits from the decade, characterized by decentralization globally and at home. After a prolonged period of debate, 1983 witnessed the birth of the *Canada Ports Corporation Act*, the much-applauded legislation that transformed the former National Harbours Board to the locally-minded and nationally-conscious Ports Canada. Much has been accomplished in a relatively short timespan under the new legislation: seven local port corporations have been created pursuant to the *CPC Act*. Ports Canada ports now account for more than one-half of Canada's waterborne traffic, a share that has steadily risen since the beginning of the eighties. The 1980s also saw the realization of major expansion within the Corporation including Ridley Terminals Inc. in Prince Rupert, Grande Anse in Chicoutimi and Pointe Noire in Sept-Îles.

The latter part of the decade saw the enactment of the new *National Transportation Act* and the dawn of an era of free trade between Canada and the United States. These measures will go a long way toward ensuring Canada's competitiveness and well-being in an increasingly dynamic world arena.

The decade's final year was marked with measurable achievements for the Corporation. An enhanced delegation of authority instrument was developed for all member port corporations. Two mega-projects were announced at the ports of Sept-Îles, Quebec and Belledune, New Brunswick. The aluminum smelter and power plant, respectively, will materially enhance the viability of these divisional ports.

Systems optimization constituted another accomplishment of the Corporation. The Corporation is now equipped with state-of-the-art computer technology to ensure efficiency. Thanks to a broad-based and cost-conscious orientation at the National Office, a substantial saving was made against the operating budget of the office.

The Corporation welcomed the new decade, stronger and more prepared. The nineties will usher in new challenges for the Corporation. Coming years will likely be characterized by heightened environmental awareness. Urban waterfronts from coast to coast will undoubtedly experience increasing pressures from all directions. Having initiated land-use plans, Ports Canada ports will be better positioned to respond to most of these demands.

The globalization of trade will ironically bring about attendant protectionism and balkanization. Canada's welfare lies in aligning itself with her largest trading partner, the United States. The Corporation is gearing up to reap the benefits of an expanded trade era.

All in all, the decade gone by was filled with change, dynamism, and advancement for the country and for the Corporation. Last year, in particular, will be remembered with fond memories for our unequivocal accomplishments. We embrace the new year and the closing decade of the century and millennium with optimism and excitement.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors, and the shareholder, that the Corporation made measurable progress in achieving its objectives; and the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets. We are particularly pleased to report that the Corporation's auditors completed a Special Examination and provided reasonable assurance, that there were no significant deficiencies in the systems and practices examined.

Once again, it goes without saying that our successes would not have been possible without a supportive Board of Directors and a dedicated staff. Most importantly, however, we acknowledge our loyal port users and clients who gave the Corporation a reason for being — yesterday, today, and for decades to come.

Jean Michel Tessier



## Canada Ports Corporation

**C**anada Ports Corporation is comprised of seven non-corporate ports, collectively referred to as divisional ports. They are located in Belledune, N.B.; Chicoutimi/Baie des Ha! Ha!, Sept-Îles, Trois-Rivières, Quebec; Port Colborne, Prescott, Ontario; and Churchill, Manitoba. Divisional ports play a key role in their respective regional and local economies. Local industries are dependent on facilities provided by ports and are often the primary link to both national and international markets.

Dry bulk handled at the divisional ports include important resource products such as grain, salt, various mineral ores and coal. Liquid bulk is made up primarily of petroleum products. Forest products are important examples of general cargo handled at some of these ports.

Divisional ports are an integral part of the Ports Canada system. While their sphere of influence is often more regional than national, the overall economic and social health of the community is clearly linked to the port.

### Traffic Review

In 1989, divisional ports handled a total of 30.2 million tonnes of cargo, a slight decrease of 1 percent from the 1988 level of 30.5 million tonnes. This total represents 17.3 percent of the total traffic handled by Ports Canada ports. Of this amount, 3.5 million tonnes, or 13 percent was handled at berthing facilities owned by the Canada Ports Corporation.

Despite a fairly stable year, some events are worth noting. The Port of Trois-Rivières experienced a drop in total tonnage of 20 percent, attributable principally to the decline in grain exports. In 1989, the Port of Churchill was able to rebound from the substantial decline in grain handled in 1988 by handling close to 300,000 tonnes of grain, up from 50,000 tonnes. As well, a record setting volume of 200,000 tonnes of forest products was handled at the Port of Chicoutimi. Coal handled primarily by the Port of Sept-Îles, was down 11 percent to one million tonnes from last year's volume of 1.2 million tonnes.

A total of 1.4 million tonnes of petroleum products were handled in 1989, up slightly by 2 percent, while grain exports dropped further by 15 percent to 1.4 million tonnes.

### Financial Overview

Overall port performance reflects the volume and mix of cargo handled. Total traffic decreased slightly this year, and the decline in grain shipments through several ports has had a negative impact on final operating results.

*Revenue from Operations:* Operating revenue for 1989 was \$9.6 million, up 37 percent from the 1988 level of \$7.0 million. This substantial increase reflects largely the relatively low base to which grain shipments fell in 1988, due to Prairie drought conditions, especially as it affected the ports of Churchill and Trois-Rivières.

*Operating Expense:* Operating expense decreased by \$0.8 million or 6 percent to \$12.2 million in 1989 from \$13.0 million in 1988.

*Loss from Operations:* Loss from operations amounted to \$2.6 million, compared to a \$6.0 million loss from operations in 1988. This includes provision for depreciation of \$2.7 million compared with \$2.6 million in 1988.

*Investment Income:* Investment income, net of interest expense, of \$5.3 million was up 15 percent from the 1988 figure of \$4.6 million as a result of a larger base, coupled with higher yields.

*Net Income:* Prior to accounting for its share of the loss incurred by Ridley Terminals Inc. and including an unusual item for the adjustment of grants-in-lieu of municipal taxes of \$1.2 million, the Corporation achieved a net income of \$3.8 million, compared to a net loss of \$1.3 million in 1988. The 1989 loss recorded on its investment in Ridley Terminals Inc. was \$3.1 million compared to \$4.4 million in 1988. In 1989 the net income of the Corporation was \$0.8 million, compared to a net loss of \$5.7 million in 1988.

*Dividend:* The Corporation paid a dividend of \$74,000 in 1989, compared to \$126,000 in 1988.

*Contributed Capital:* There has been no change in the balance of contributed capital since the close of the 1988 accounting period.

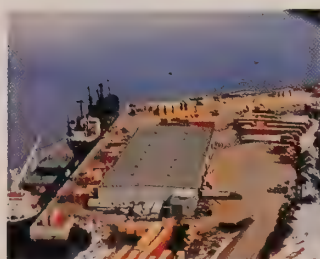
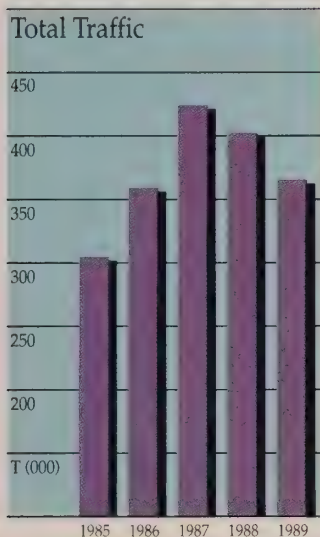
*Interport Loan Fund:* In 1989, the government of Canada provided the Corporation with a grant equivalent to the dividends, including interest paid by Ports Canada ports of \$26.7 million, to establish an Interport Loan Fund. This fund, administered by the Corporation, is to provide financing for financially viable capital projects of the Ports Canada ports. The balance of the Interport Loan Fund as at December 31, 1989 is \$28.6 million.

*Capital Investments:* The Corporation spent a total of \$4.7 million on fixed assets in 1989, compared to \$4.4 million in 1988. Grant funding of \$2.4 million received in 1989 from the federal government was mainly for the dust control and the heat-plant conversion at the Port of Churchill.

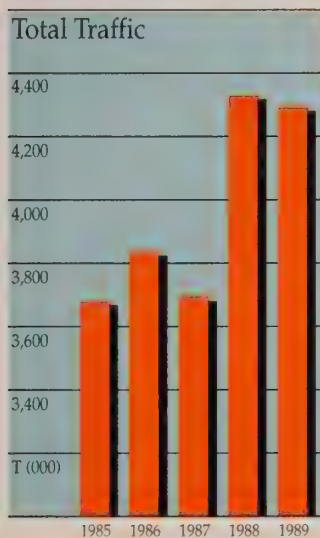
*Principal Operations:* The principal operations of the Canada Ports Corporation are defined by the activities of the divisional ports.



**Port of Belledune**



**Ports of Chicoutimi/  
Baie des Ha! Ha!**



## Port of Belledune

The Port of Belledune, located on the south shore of the Baie des Chaleurs in northeastern New Brunswick, is a bulk-handling facility used primarily by Brunswick Mining and Smelting. The company imports phosphate rock to be processed into fertilizer. Another major user includes Shell Canada, which brings in petroleum products through Belledune.

In 1989, the New Brunswick Electric Power Commission announced that the Port of Belledune had been chosen as the site for its new 450 megawatt thermal generating station. It is estimated that traffic at the port will increase substantially over the next five years with 1.5 million tonnes of coal needed each year to run the generating station.

Total traffic decreased in 1989 by 10 percent from 404,000 tonnes to 363,000 tonnes, primarily caused by lower imports of phosphate rock. Liquid products, gasoline and fuel oil, also experienced a slight drop to 66,000 tonnes from 72,000 tonnes. General cargo remained constant with lead ingots the prime commodity moving in this category.

Total operating revenue decreased slightly to \$219,000 from \$237,000 in 1988, while operating expenses increased from \$129,000 to \$153,000. The operating income was thereby reduced to \$65,000 from \$107,000 the year before. This was partially offset by higher investment income. Net income declined by 12 percent from \$113,000 in 1988 to \$100,000 in 1989.

## Ports of Chicoutimi/ Baie des Ha! Ha!

The Port of Chicoutimi, located at the head of the Saguenay River, is an important economic and transportation center, playing a key role among the region's resource-based industry. The port is comprised of the Grande-Anse marine terminal, used mainly for the handling of general cargo, the Albert-Maltais wharf which handles petroleum products and the private wharf facilities owned by Alcan at Baie des Ha! Ha!. The main industries of the region are forest products and aluminum.

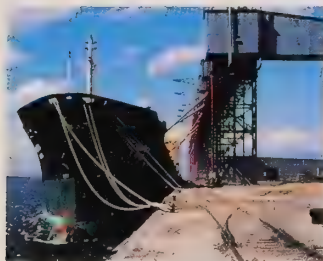
In 1989, the port's marketing efforts resulted in the attraction of two new major clients to the Grande-Anse terminal. Cascades-Jonquière began shipping woodpulp through the facility, while the Preibonka sawmill of the Abitibi-Price Company exported lumber to Europe.

Total traffic handled at the Port of Chicoutimi in 1989 was 485,000 tonnes, almost identical to the 1988 volume of 487,000 tonnes. General cargo increased 28 percent over 1988, while petroleum products and salt were down from the previous year.

Total operating revenue increased by 8 percent to \$1.3 million from \$1.2 million in 1988. Operating expenses increased from \$1.2 million to \$1.5 million, resulting in an operating loss of \$260,000 for the year, compared to \$31,000 in 1988. Net income was \$383,000 in 1989, down by 25 percent from \$509,000 in 1988.

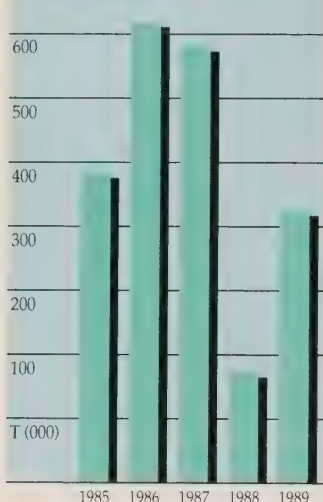
At Baie des Ha! Ha!, total traffic remained the same at 3.8 million tonnes. While dry bulk movements increased to 3.3 million tonnes, petroleum products dropped to 309,000 tonnes from 370,000 tonnes in 1988.

Total operating revenue increased slightly to \$149,000 from \$144,000 in 1988. Operating expenses decreased from \$67,000 to \$56,000, resulting in an operating profit of \$93,000 for the year, compared to \$77,000 in 1988. Net income was \$125,000 in 1989, up 30 percent from \$96,000 in 1988.



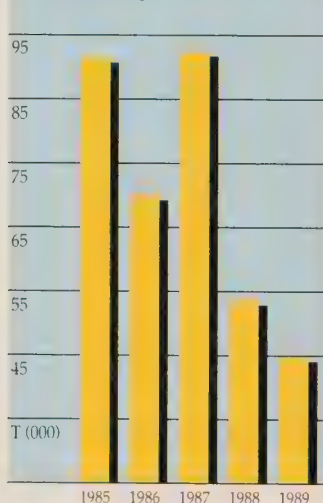
Port of Churchill

Total Traffic



Port Colborne

Total Traffic



## Port of Churchill

The Port of Churchill, located on the western shore of Hudson Bay, celebrated its 60th year since the first shipment of grain left the port. The primary role of the port is the export of grain from the Prairies. In 1989, the port rebounded from the minimal 50,000 tonnes of grain in 1988, by handling 292,000 tonnes. Total port tonnage was 320,000 tonnes.

Although grain accounts for over 90 percent of Churchill's exports, the port does have a secondary role in the resupply of communities in the north. Communities on the western shore of Hudson Bay and in the Keewatin district of the Northwest Territories depend upon resupply services provided by the Northern Transportation Company Limited. This traffic declined slightly in 1989. The port welcomed again the cruise ship M.V. World Discoverer.

Meanwhile, 1989 saw the completion of Phase 1 of the dust control project which cost \$2.2 million. Funds were provided by the federal government. The port also completed the first year of a three year health and safety program.

The increase in grain traffic had the expected effect on financial results as operating revenue rose from \$1.1 million in 1988 to \$4.0 million in 1989. At the same time, operating expenses decreased from \$5.8 million to \$5.4 million. This combination of changes brought the 1988 operating loss of \$4.7 million down to \$1.5 million in 1989. Investment income of \$377,000 and an unusual item as a result of a grants-in-lieu-of municipal taxes settlement of \$1.2 million in favor of the port, produced a net income of \$80,000 in 1989, compared to a net loss of \$4.1 million in 1988.

## Port Colborne

Port Colborne is located at the southern end of the Welland Canal and is a specialist port dealing with domestic grain traffic. The grain elevator is leased out by the Canada Ports Corporation to Goderich Elevators Limited of Ontario, under the terms of a twenty year agreement. Goderich has recently upgraded the port facilities by adding a grain cleaner.

In 1989, the new \$1.5 million full-service marina became operational. It is located at Gravelly Bay and serves transient and seasonal craft. This development was funded by the Small Craft Harbours Directorate of Fisheries and Oceans.

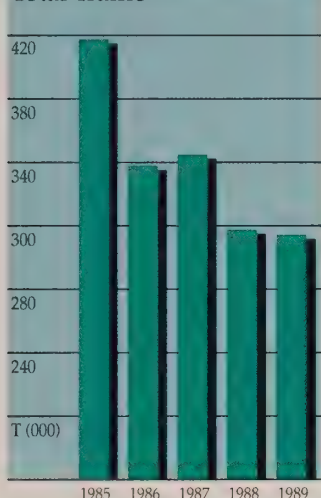
Total port traffic, which consists entirely of grain products, decreased 17 percent to 45,000 tonnes in 1989 from 54,000 tonnes in the previous year.

Total operating revenue increased slightly to \$112,000 in 1989 from \$98,000 in 1988 but operating expenses also increased from \$438,000 to \$502,000. Consequently, the operating loss increased by 15 percent from \$339,000 in 1988 to \$390,000 in 1989. This was offset by higher investment income, and net income went up from \$116,000 in 1988 to \$133,000 in 1989.



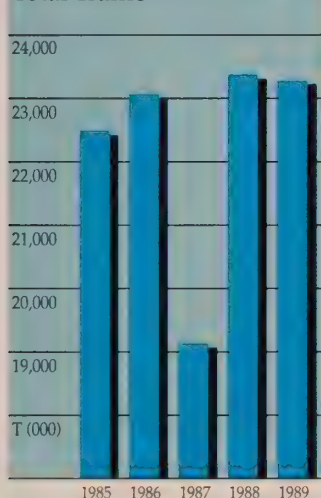
**Port of Prescott**

**Total Traffic**



**Port of Sept-Îles**

**Total Traffic**



## Port of Prescott

The Port of Prescott lies 200 kilometers west of Montréal and 100 kilometers south of Ottawa on the St. Lawrence River. The port is managed cooperatively by the Canada Ports Corporation which operates the port facilities, and Elders Grain Company Limited which holds a lease on the grain elevator.

The primary function of the Port of Prescott is the handling of grain through its 154,000 tonne-capacity elevator. Under the terms of the leasing arrangement, Elders Grain operates the elevator, buying specialized crops directly from local farmers and trading in world markets, either on its own account or as agents for the Canadian Wheat Board or the Ontario Wheat Producers' Marketing Board. Under the Elders Grain diversification scheme, the elevator handled canary seed and alfalfa pellets for the first time in 1989.

Total port tonnage declined slightly to 289,000 tonnes from 294,000 tonnes in the previous year. This was as a result of a decrease in the handling of salt. Grain traffic, which consisted of approximately 75 percent of total port traffic in 1989, increased 9 percent to 215,000 tonnes. Construction of a new salt pad began, following positive results from a detailed environmental evaluation.

Total operating revenue declined in 1989 to \$803,000 from \$1.2 million due to the changeover in financial arrangements upon the leasing of the elevator to Elders Grain in May 1988. Operating expenses decreased from \$1.8 million to \$956,000. The overall result was an operating loss of \$153,000 for the year, compared to \$617,000 in 1988. Net income was \$1.7 million in 1989, up from \$965,000 in 1988, as a result of a 13 percent increase in investment income to \$1.8 million.

## Port of Sept-Îles

The Port of Sept-Îles is a deepwater port located on the north shore of the St. Lawrence River, 650 kilometers downstream from Québec City. It has a large natural harbour with a water depth of 80 meters and is open to navigation throughout the year. The port serves the mining industry of Quebec and Labrador, with iron ore accounting for 90 percent of total cargo. Coal and salt are also handled.

Total port traffic remained fairly constant in 1989 with cargo movements reaching 23.3 million tonnes. This was due to steady shipments of iron ore from both the Iron Ore Company of Canada and Wabush Mines. Dry bulk volumes reached 22.9 million tonnes in 1989. Coal transshipments were down slightly by 9 percent to a level of 797,000 tonnes. The port handled 697 vessels in 1989, about the same as in the previous year.

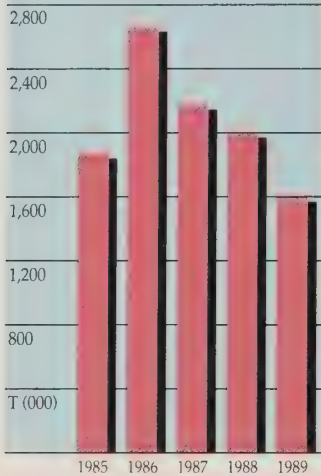
In September 1989, the construction of a \$1.1 billion aluminum smelter in Sept-Îles by the consortium Alouette was announced jointly by the Premier of Quebec, the federal Minister of Transport and the Alouette partners. Federal involvement in the project will be approximately \$90 million for port infrastructure. A second phase will double the initial capacity of the smelter, bringing it to 430,000 tonnes for a total investment of over \$2 billion.

Total operating revenue rose to \$1.2 million in 1989 from \$1.1 million in 1988. Operating expenses increased to \$1.5 million from \$1.3 million due to preparations for the Alouette project. This caused the operating loss to reach \$304,000 from \$169,000 in 1988, and net income declined 44 percent to \$95,000 for the year.



Port of Trois-Rivières

#### Total Traffic



## Port of Trois-Rivières

The Port of Trois-Rivières is strategically located on the north shore of the St. Lawrence River, midway between Montréal and Québec City. The port is open to navigation throughout the year.

The main exports are newsprint, woodpulp and grain, which accounts for the bulk of the traffic. Trois-Rivières is the main newsprint production centre in the world. A large variety of commodities is imported to serve the local area, including cereals, petroleum products, salt and china clay.

Total port traffic in 1989, was 1.6 million tonnes, a decline of 20 percent from the 2.0 million tonnes handled in 1988. Grain decreased 37 percent from 1.3 million tonnes to 825,000 tonnes. Other dry bulk declined by 28 percent in 1989 to 206,000 tonnes. Liquid bulk, consisting of petroleum products and caustic soda, was up 83 percent to 454,000 tonnes. The port handled 100,000 tonnes of general cargo, 90 percent of which was paper. Not including grain, total traffic increased 14 percent from the previous year. A total of 497 vessels were handled in 1989.

Total operating revenue remained almost unchanged in 1989 at \$1.9 million as a result of lower grain traffic. Through tight cost control, operating expenses were reduced from \$2.1 million to \$1.8 million, which turned the 1988 operating loss of \$168,000 into an operating income of \$97,000 in 1989. With the addition of better returns on investment, net income rose to \$1.3 million in 1989, compared to \$767,000 in 1988.



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of Canada Ports Corporation as at December 31, 1989 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Coopers + Lybrand*

Chartered Accountants

Ottawa, Ontario  
February 16, 1990

## Balance Sheet as at December 31, 1989

(in thousands of dollars)

Assets	1989	1988
Current		
Cash	\$ 244	\$ 348
Investments (Note 3)	32,867	39,925
Accounts receivable	1,793	1,597
Due from Canada	426	2,482
Materials and supplies	264	239
	35,594	44,591
Investments (Note 3)	18,429	18,361
Long-term receivable (Note 4)	299	—
Investment in Ridley Terminals Inc. (Note 5)	1	3,083
Fixed assets (Note 7)	36,059	36,894
	90,382	102,929
Interport Loan Fund – Investments (Note 10)	28,568	—
	\$ 118,950	\$ 102,929
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 4,169	\$ 3,908
Grants in lieu of municipal taxes	118	898
Due to Canada (Note 10)	—	12,668
	4,287	17,474
Accrued employee benefits	1,208	1,171
Loans from Canada (Note 9)	1,319	1,406
	6,814	20,051
Equity of Canada		
Contributed capital	73,638	73,638
Retained earnings	9,930	9,240
	83,568	82,878
Interport Loan Fund – Contra (Note 10)	28,568	—
	112,136	82,878
	\$ 118,950	\$ 102,929

On behalf of the Board:

*A.R. Huntington*

The Honourable A. R. Huntington  
Chairman

*J.M. Tessier*

Jean Michel Tessier  
President and Chief Executive Officer



## Statement of Income and Retained Earnings

	(in thousands of dollars)	
for the year ended December 31, 1989	1989	1988
Revenue from operations	\$ 9,566	\$ 7,026
Operating and administrative expenses – net	8,769	9,288
Depreciation	2,690	2,592
Grants in lieu of municipal taxes	692	1,117
	12,151	12,997
Loss from operations	(2,585)	(5,971)
Investment income	5,369	4,750
Interest expense	(112)	(118)
Income (loss) before the undernoted	2,672	(1,339)
Share in loss of Ridley Terminals Inc. (Note 5)	(3,082)	(4,382)
Adjustment of grants in lieu of municipal taxes (Note 4)	1,174	–
Net income (loss)	764	(5,721)
Retained earnings at beginning of the year	9,240	15,087
Dividend to Canada (Note 10)	(74)	(126)
Retained earnings at end of the year	\$ 9,930	\$ 9,240

## Statement of Changes in Financial Position

	(in thousands of dollars)	
for the year ended December 31, 1989	1989	1988
Operating Activities		
Net income (loss)	\$ 764	\$ (5,721)
Items not affecting cash		
Depreciation	2,690	2,592
Share in loss of Ridley Terminals Inc.	3,082	4,382
Other	24	(218)
Decrease (increase) in operating components of working capital	(11,352)	13,927
Cash provided (required) by operating activities	(4,792)	14,962
Financing Activities		
Capital grants	2,754	2,775
Loans from Canada	(87)	(81)
Dividend to Canada	(74)	(126)
Cash provided by financing activities	2,593	2,568
Investing Activities		
Additions to fixed assets	(4,739)	(4,353)
Proceeds on disposal of fixed assets	75	30
Long-term receivable	(299)	–
Cash required by investing activities	(4,963)	(4,323)
Increase (decrease) in cash and short-term investments	(7,162)	13,207
Cash and short-term investments at beginning of the year	40,273	27,066
Cash and short-term investments at end of the year	\$ 33,111	\$ 40,273



## Notes to Financial Statements

December 31, 1989

### 1. Canada Ports Corporation Act

Canada Ports Corporation is established under the *Canada Ports Corporation Act*. The Act provides for the establishment of local port corporations to manage and operate selected ports.

The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

### 2. Significant Accounting Policies

#### (a) Financial statements

The financial statements of the Corporation include the accounts of the ports and other facilities under its administration, as well as those of the Interport Loan Fund. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

#### (b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

#### (c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

#### (d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes

operational, using rates based on the estimated useful lives of the assets.

#### (e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (f) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (g) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

### 3. Investments

Investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. As at December 31, 1989, and 1988, the market value of the current

investments approximates their amortized cost. At December 31, 1989, the market value of the long-term investments is \$21,080,000 (\$20,232,000 in 1988).

### 4. Long-term Receivable

In 1989, the Municipal Grants Division of Public Works Canada finalized an audit of grants in lieu of municipal taxes. This audit resulted in an adjustment of \$1,174,000 in favour of the Corporation for the years 1985 to 1989;

\$800,000 of which had been accrued in previous years. This accrual has now been reversed and the balance of \$374,000 has been set up as a long-term receivable from the Local Government District of Churchill in Manitoba as follows:

	(in thousands of dollars)
Non-interest bearing receivable, recoverable in equal annual instalments over the next five years	\$ 374
Less: Current portion	(75)
	\$ 299

### 5. Investment in Ridley Terminals Inc.

Ridley Terminals Inc. (RTI) was incorporated on December 18, 1981, under the *Canada Business Corporations Act* for the purpose of constructing and operating coal terminal facilities on Ridley Island in Prince Rupert, British Columbia. RTI is exempt from income taxes.

RTI's throughput revenue is currently dependent upon the production of two coal producers. The coal producer who currently ships the larger tonnage through RTI's facilities has entered into a price arbitration process with its customers. The results of this arbitration process could have a significant economic impact on the coal producer, which in turn could affect the relations of RTI with this customer. The continued operations of RTI and the current carrying value of its terminal facility are dependent upon a viable level of coal throughput from its customers and continued financial support from the Government of Canada.

At December 31, 1989, the Corporation had acquired 90% of the issued common shares of RTI at a cost of \$900, and

100% of its Class A preference shares at a cost of \$23,020,500. As of that date, Fednav Limited had acquired 10% of the issued common shares of RTI for \$100, and 100% of its Class B preference shares for \$23,020,500.

The Class A preference shares carry a fixed cumulative dividend at a rate of 18% per annum on their stated value. The Class B preference shares carry a fixed cumulative dividend at a rate sufficient to net 20% after tax per annum on their stated value. The annual dividend of 20% on the Class B preference shares is a net sum after deducting an amount equal to the prevailing aggregate federal and provincial corporate income and profits taxes applicable to the dividend.

Holders of the Class A and B preference shares are entitled to interest at the respective dividend rates on dividends accrued but not paid. Unpaid interest compounds annually at the same respective rates. Interest has accrued since April 30, 1982. The preference shares are redeemable at any time at



their stated value plus accrued dividends and unpaid interest thereon. Preference dividends and related interest in arrears at December 31, 1989, calculated at tax rates prevailing as at that date with respect to the Class B shares amount to:

	(in thousands of dollars)	
	1989	1988
Class A preference shares held by Canada Ports Corporation	\$ 48,826	\$ 37,452
Class B preference shares held by Fednav Limited	101,937	81,853
	<u>\$ 150,763</u>	<u>\$ 119,305</u>

The Corporation's investment in RTI is accounted for on the equity basis. Application of this method for years in which RTI has a deficit requires that the Corporation recognize a share of the results of operations of RTI equal to its participation in the total equity of RTI which, at December 31, 1989, was 50%. In 1989 the Corporation's share in the accumulated losses of RTI exceeded the

Corporation's net investment. As a result, the investment has been written down to a nominal value of \$1,000. For years in which RTI has retained earnings, the Corporation's share of the results of operations will be proportionate to its shareholding in common shares, after recognizing the dividend requirements of the two classes of preference shares.

The investment in Ridley Terminals Inc. is composed of:

	(in thousands of dollars)	
	1989	1988
Balance at beginning of the year	\$ 3,083	\$ 7,465
Share in loss	(3,082)	(4,382)
Balance at end of the year	<u>\$ 1</u>	<u>\$ 3,083</u>

A summary of the balance sheet of RTI as at December 31, as reported in its audited financial statements shows:

	(in thousands of dollars)	
	1989	1988
Assets		
Current	\$ 3,128	\$ 4,772
Fixed	207,735	213,311
Other	447	67
	<u>\$ 211,310</u>	<u>\$ 218,150</u>
Liabilities		
Current	\$ 5,045	\$ 3,481
Long-term debt	213,063	207,323
	<u>218,108</u>	<u>210,804</u>
Shareholders' Deficiency	(6,798)	7,346
	<u>\$ 211,310</u>	<u>\$ 218,150</u>

RTI has two long-term financing agreements with a major Canadian bank as follows:

(a) a construction credit loan agreement which is guaranteed unconditionally by Canada and is further secured by a \$250,000,000 subordinate fixed and floating charge collateral demand debenture. On July 1, 1985, all borrowings converted to a fifteen year term loan with specified semi-annual repayments commencing July 31, 1991 through January 31, 2000. Interest on any bank loan is at the bank's prime rate, payable monthly. The Bankers' Acceptance fee is currently 1/2% per annum.

(b) a revolving credit loan agreement which provides a \$25,000,000 credit facility for advances on a revolving basis until June 30, 1990 at which time all borrowings will convert to a term loan repayable in specified semi-annual instalments commencing July 31, 1990 through January 31, 1993. Interest on bank loans is at the bank's prime rate plus 1/4% per annum, payable monthly. The Bankers' Acceptance fee is currently 3/4% per annum.

This agreement is secured by a \$350,000,000 first fixed and floating charge collateral demand debenture with the terminal facility as security and an assignment of the lease from the Prince Rupert Port Corporation.



As at December 31, 1989, drawings under these agreements were as follows:

	(in thousands of dollars)	
	1989	1988
(a) Construction credit loan agreement— Bankers' acceptances, net of unamortized interest charges	\$ 198,399	\$ 198,818
(b) Revolving credit loan agreement— Bank loans	1,300	1,800
Bankers' acceptances, net of unamortized interest charges	15,464	7,930
	16,764	9,730
	215,163	208,548
Less: Current portion of long-term debt	2,100	1,225
	\$ 213,063	\$ 207,323

Based on the amounts borrowed under the credit facilities as at December 31, 1989, annual principal repayments over the next five years amount to \$2,100,000 in 1990, \$5,460,000 in 1991, \$11,288,000 in 1992, \$12,915,000 in 1993 and \$14,963,000 in 1994.

The results of operations of RTI for the year ended December 31, 1989, in comparison with the year ended December 31, 1988, are as follows:

	(in thousands of dollars)	
	1989	1988
Revenue from operations	\$ 35,769	\$ 30,676
Operating and administrative expenses	17,421	12,675
Depreciation	5,947	6,746
Interest expense	26,545	20,020
	49,913	39,441
Net loss	\$ (14,144)	\$ (8,765)

## 6. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority (the Authority) is indebted in the amount of \$13,793,000 (1988 – \$13,921,000) to the Corporation which in turn is indebted to Canada in the same amount, in accordance with the provisions of Vote L106B, *Appropriation Act No. 7, 1967, 1967-68, c.8*. The interest and repayment terms of the parliamentary advances to the Corporation are identical to those of the debentures of the Authority. Under the terms of the agreement between Canada and the Authority, Canada, in effect, has guaranteed the repayment of both principal and interest on the debentures. Accordingly, the debentures received have been offset

against the advances and loans payable to Canada such that they are not reflected as an asset and a liability on the balance sheet. Interest income and expense of \$947,000 (1988 – \$955,000) have been similarly offset and do not appear in the statement of income and retained earnings.

In 1989, Department of Finance and Treasury Board of Canada proceeded with a submission to assign the debentures of the Authority to Canada and to cancel the related certificates of indebtedness of the Corporation. As at December 31, 1989, the submission was pending approval by Canada.

## 7. Fixed Assets

### a) Summary

						(in thousands of dollars)	
						1989	1988
	Depreciation rates %	Cost	Accumulated Depreciation	Net		Net	Net
Land	–	\$ 4,482	\$ –	\$ 4,482	\$	4,426	
Dredging	2.5-6.7	9,488	6,013	3,475		3,801	
Berthing structures	2.5-10	34,515	17,689	16,826		17,564	
Buildings	2.5-10	16,371	12,184	4,187		3,841	
Utilities	3.3-10	2,791	1,428	1,363		1,466	
Roads and surfaces	2.5-10	2,273	1,702	571		676	
Machinery and equipment	5-100	19,979	15,861	4,118		3,805	
Office furniture and equipment	20	3,553	2,759	794		609	
Works under construction	–	243	–	243		706	
		\$ 93,695	\$ 57,636	\$ 36,059	\$	36,894	



(b) Capital grants

During the year, the Corporation received capital grants totalling \$2,754,000 (1988 – \$2,775,000) towards the construction of fixed assets.

(c) Capital expenditures commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$519,000 of which most will be expended in the year ending December 31, 1990.

**8. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are deferred revenues of \$679,000 (1988 – \$467,000) and current portion of long-term liabilities of \$87,000 (1988 – \$81,000).

**9. Loans from Canada**

(in thousands of dollars)

	1989	1988
Loans bearing interest at 6.44% and 9.09%, repayable in blended annual instalments of principal and interest of \$193,000 and maturing on December 31, 2000	\$ 1,406	\$ 1,487
Less: current portion	(87)	(81)
	\$ 1,319	\$ 1,406

Principal repayment requirements over the next five years amount to \$87,000 in 1990, \$93,000 in 1991, \$100,000 in 1992, \$108,000 in 1993 and \$116,000 in 1994.

**10. Interport Loan Fund**

In 1988, the Treasury Board of Canada authorized that the dividend payments to be made in 1988 and 1989 by Canada Ports Corporation and the local port corporations, be used to establish an interport loan fund (the Fund). The purpose of the Fund is to provide financing for financially viable capital projects of the Corporation and the local port corporations.

As at December 31, 1988, the Corporation held \$12,668,000 representing the 1988 dividend payments and interest earned thereon for these corporations, pending approval by Canada. Of this amount, \$126,000 represented the dividend paid by Canada Ports Corporation.

In 1989, the Corporation remitted to Canada the \$12,668,000 owing and a further \$13,982,000 representing the 1989 dividend payments and interest earned thereon from Canada Ports Corporation and the local port corporations. Of the latter amount, \$74,000 represented the dividend paid by Canada Ports Corporation. At the same time, the Corporation received an equivalent grant from Canada for the establishment of the Fund.

The Fund was created on May 19, 1989, and its balance as at December 31, 1989 is composed of:

	(in thousands of dollars)
Contribution by Canada	\$ 26,650
Investment income	1,918
	\$ 28,568

The assets of the Fund, which are direct and guaranteed securities of Canada, are shown at amortized cost. As at December 31, 1989 the market value of the investments approximates their amortized cost.

**11. Related Party Transactions**

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and crown corporations.

In accordance with the *Canada Ports Corporation Act*, operating and administrative costs incurred by the Corporation in the amount of \$6,225,000 have been recovered

from the local port corporations in 1989 (\$6,511,000 in 1988). These recoveries are offset against the related expenses. In addition, investment income of \$5,369,000 (\$4,750,000 in 1988) was earned on Government of Canada securities and interest charges of \$112,000 (\$118,000 in 1988) were paid to Canada.

**12. Contingencies**

Claims aggregating approximately \$1,709,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

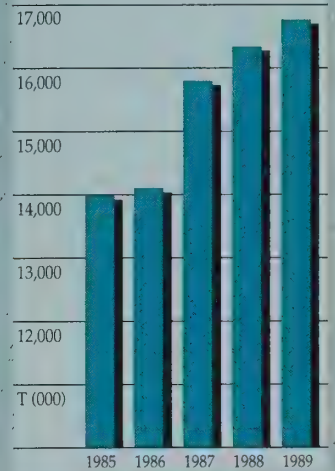
The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.



# Halifax Port Corporation



Total Traffic





## Joint Message from the Chairman of the Board and the President and Chief Executive Officer



Donald A. Parker



David F. Bellefontaine

**T**he Halifax Port Corporation is very pleased to report on its operating results for 1989, its most successful year on record.

The Port of Halifax has an excellent reputation the world over as an efficient international port for all types of vessels. Even under the extremely competitive nature of its business, in 1989 the port has achieved real growth in terms of cargo tonnage, market share and net income. Over the past five years, the port has doubled its volume of containerized cargo and has attracted fourteen new shipping lines to its worldwide network.

The positive results in 1989 represent yet another milestone as the fourth consecutive record-breaking year in terms of volume of container tonnage handled. More Canadian containerized cargo now moves over the Port of Halifax than any other port.

Major accomplishments in 1989 include the Pier "B" redevelopment project, which provided an additional 366 meters of berthing and 4.7 hectares of cargo handling area for containerized cargo operations; and the announcement by terminal operators that two new gantry cranes have been ordered for Halifax. This "team" approach to investment in facilities and equipment in the port reflects the continuing commitment by the parties and their positive attitude toward the port's future.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

### Capital Expenditures

Capital expenditures in 1989 amounted to \$5.4 million, of which \$3.7 million was expended in completing the Pier "B" redevelopment project, to support the ever growing requirements of the container trade. The final work will be undertaken on Pier "B" in 1990 when curved crane rails will be installed to join Piers "C" - "B" into one contiguous container terminal operation.

The remaining \$1.7 million of capital was expended on the harbour dredging project (\$.6 million), purchase of shed 9 (\$.5 million), and miscellaneous plant and equipment requirements. All capital projects were funded from port working capital in 1989. Over the past ten years, \$53.7 million has been spent on capital projects in the Port of Halifax.

### Cargo Highlights

For the fourth consecutive year, cargo levels reached a new record. Total port cargo was 16.8 million tonnes, up from the previous record of 16.2 million tonnes set in 1988.

Imports and exports of crude and refined oils amounted to 8.6 million tonnes, up by 4.1 percent from 8.3 million tonnes recorded the previous year. Exports of gypsum increased slightly to 3.2 million tonnes, representing 1.1 percent over 1988.

Containerized cargo reached a new record in 1989 at 3.9 million tonnes, for an increase of 9.9 percent over the previous record of 3.5 million tonnes set in 1988. Over the past five years, container cargo has increased by 96 percent, a remarkable achievement in an extremely competitive environment.

### Financial Results

Revenue from operations amounted to \$18.2 million, up from the \$14.8 million recorded in 1988, particularly due to record cargo levels and new terminal lease agreements. Total expenses were \$14 million, as compared to \$11.9 million in 1988. Income from operations rose sharply to \$4.2 million, an increase of 44.8 percent from the \$2.9 million recorded in 1988. Net income was \$4.6 million, an increase of \$1.5 million from the preceding year.

Working capital remained relatively unchanged at \$6.9 million during the year; short term investments increased by \$1.3 million to reach \$7.1 million at year's end.

### Personal Contributions

Once again the team approach at the Port of Halifax has proven very effective. Thanks go to all port workers and the marine community for sharing their expertise and energies with the Halifax Port Corporation.

The future of the Port of Halifax has never looked brighter. We call on all industry players to assure the success of the port in the new decade ahead.

Donald A. Parker  
Chairman of the Board

David F. Bellefontaine  
President and Chief Executive Officer



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Halifax Port Corporation as at December 31, 1989, and the statements of income and surplus, and changes in financial position, for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

**Chartered Accountants**

Halifax, Nova Scotia  
January 26, 1990

## Balance Sheet as at December 31, 1989

Assets	1989	1988
Current		
Cash	\$ 239,827	\$ 230,462
Investments (Note 3)	7,134,531	5,794,295
Accounts receivable	2,604,428	2,736,263
Materials and supplies	133,269	126,167
	<u>10,112,055</u>	<u>8,887,187</u>
Investments (Note 3)	33,510	33,405
Fixed (Note 4)	<u>59,273,611</u>	<u>56,115,970</u>
	<u>\$ 69,419,176</u>	<u>\$ 65,036,562</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,699,611	\$ 1,159,545
Grants in lieu of municipal taxes	250,008	71,664
Deferred revenues	940,711	928,571
Current portion of long term debt	367,462	334,057
	<u>3,257,792</u>	<u>2,493,837</u>
Accrued employee benefits	664,314	679,499
Loans from Canada (Note 5)	<u>3,118,714</u>	<u>3,486,176</u>
	<u>7,040,820</u>	<u>6,659,512</u>
Equity of Canada		
Contributed capital	53,796,865	53,796,865
Surplus	<u>8,581,491</u>	<u>4,580,185</u>
	<u>62,378,356</u>	<u>58,377,050</u>
	<u>\$ 69,419,176</u>	<u>\$ 65,036,562</u>

On behalf of the Board:

Donald A. Parker  
Chairman

David F. Bellefontaine  
President and Chief Executive Officer



## Statement of Income and Surplus

year ended December 31, 1989	1989	1988
Revenue from operations	\$ 14,851,629	\$ 13,286,341
Operating and administrative expenses	7,440,556	7,652,151
Depreciation	2,215,426	1,934,257
Grants in lieu of municipal taxes	978,444	790,963
	10,634,426	10,377,371
Income from operations	4,217,203	2,908,970
Investment income	737,672	594,105
Interest expense	(382,023)	(412,392)
Gain on disposal of fixed assets	7,123	2,456
	362,772	184,169
Net income before extraordinary item	4,579,975	3,093,139
Extraordinary item		
Gain on sale of land	—	266,135
Net income	4,579,975	3,359,274
Surplus, beginning of year	4,580,185	1,379,966
	9,160,160	4,739,240
Dividend to Canada	578,669	159,055
Surplus, end of year	\$ 8,581,491	\$ 4,580,185

## Statement of Changes in Financial Position

year ended December 31, 1989	1989	1988
Operating activities		
Net income before extraordinary item	\$ 4,579,975	\$ 3,093,139
Depreciation	2,215,426	1,934,257
Other	(22,413)	55,628
Decrease in operating components of working capital	855,283	136,250
Cash provided by operating activities	7,628,271	5,219,274
Financing activities		
Loans from Canada	(334,057)	(303,687)
Dividend to Canada	(578,669)	(159,055)
Cash applied to financing activities	(912,726)	(462,742)
Investing activities		
Proceeds from sale of land	—	266,135
Additions to fixed assets	(5,378,441)	(4,852,977)
Other	12,497	7,256
Cash applied to investing activities	(5,365,944)	(4,579,586)
Increase in cash and short-term investments	1,349,601	176,946
Cash and short-term investments, beginning of year	6,024,757	5,847,811
Cash and short-term investments, end of year	\$ 7,374,358	\$ 6,024,757



## Notes to Financial Statements

year ended December 31, 1989

1.	In accordance with the <i>Canada Ports Corporation Act</i> , sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.	In accordance with the <i>Canada Ports Corporation Act</i> , the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation – Port of Halifax to Halifax Port Corporation.
<b>2. Significant Accounting Policies</b>	<p><b>(a) Investments</b> The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.</p> <p><b>(b) Fixed assets</b> Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.</p> <p>Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.</p> <p><b>(c) Pension costs</b> All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan</p>	<p>are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.</p> <p><b>(d) Grants in lieu of municipal taxes</b> The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the <i>Municipal Grants Act</i>. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.</p> <p><b>(e) Employee benefits</b> The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.</p>

3. Investments	Amortized Cost	1989	1988
		Face Value	Face Value
Short term	\$ 7,134,531	\$ 7,474,800	\$ 5,794,295
Long term	\$ 33,510	\$ 33,498	\$ 33,405
			\$ 6,039,800
			\$ 34,270

4. Fixed Assets	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$ 24,441,887	\$ –	\$ 24,441,887	\$ 23,324,988
Dredging	2.5 - 6.7%	3,424,519	2,302,408	1,122,111	372,477
Berthing structures	2.5 - 10%	35,120,246	18,494,982	16,625,264	14,400,469
Buildings	2.5 - 10%	17,336,166	11,373,528	5,962,638	5,772,861
Utilities	3.3 - 10%	5,865,260	2,221,099	3,644,161	2,502,056
Roads and surfaces	2.5 - 10%	8,481,260	3,984,999	4,496,261	3,345,538
Machinery and equipment	5 - 100%	10,794,759	8,114,588	2,680,171	1,616,485
Office furniture and equipment	20%	998,782	845,974	152,808	181,079
Projects under construction		148,310	–	148,310	4,600,017
		\$106,611,189	\$ 47,337,578	\$ 59,273,611	\$ 56,115,970



## 5. Loans from Canada

	1989	1988
10% loan maturing on December 31, 1996, repayable in blended annual principal and interest payments of \$716,080	\$ 3,486,176	\$ 3,820,233
Less current portion repayable within one year	367,462	334,057
	<u>\$ 3,118,714</u>	<u>\$ 3,486,176</u>

The loans from Canada are unsecured.

## 6. Comparative Figures

Certain of the 1988 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1989.

## Board of Directors

**Donald A. Parker \***

Chairman  
Businessman  
Dartmouth, N.S.

**Paul M. Murphy, Q.C. \***

Vice-Chairman  
Partner  
Patterson Kitz  
Halifax, N.S.

**Florence R. Irwin \*\***

Partner  
Canadian Annuity  
Quotations and Insurance  
Services Ltd.  
Bedford, N.S.

**Michael J. Proude**

President - Local 269  
International Longshoremen's Association  
Dartmouth, N.S.

**Lois A. Glibbery \*\***

Property Marketing Specialist  
Royal LePage Real Estate  
Services Ltd.  
Halifax, N.S.

**Harald A. Norve \***

President  
H.A. Norve & Associates Ltd.  
Halifax, N.S.

**Captain Ernest A. Coates \*\***

Retired Marine Superintendent  
Esso Petroleum Canada  
Dartmouth, N.S.

\* Executive Committee

\*\* Audit Committee

## Officers of the Corporation

**Donald A. Parker**  
Chairman

**Paul M. Murphy**  
Vice-Chairman

**David F. Bellefontaine**  
Port Manager  
President and Chief Executive Officer

**Lorraine E. Brenton**  
Corporate Secretary

**Claude L. Ball**  
Senior Vice-President and  
Chief Operating Officer

**Robert A. Kaye**  
Vice-President, Marketing

**Richard T. Pentland**  
Vice-President, Engineering and Works

**Dennis W. Creamer**  
Vice-President, Finance and Administration

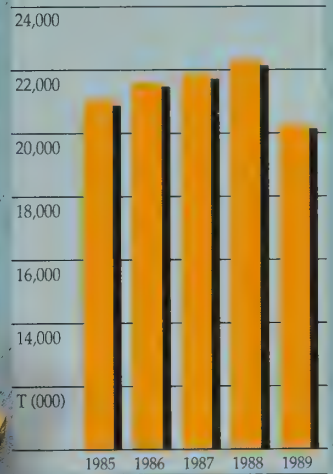
**Peter J. MacKeigan**  
Chief Legal Officer



# Montréal Port Corporation



Total Traffic





## Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer



André Gingras



Dominic J. Taddeo

**A**s we prepare for the excitement and challenges of the decade that lies ahead, 1989 will be remembered throughout the maritime industry as a year marked by increased competition on the North Atlantic.

The total volume of traffic handled at the Port of Montréal in 1989 was 20.4 million metric tonnes, compared with 22.2 million tonnes in 1988, a decrease of approximately 1.8 million tonnes or 8.2 percent.

A decrease in containerized cargo traffic was naturally disappointing but not unexpected. It was a drop in grain traffic, however, that was largely responsible for the decrease in total tonnage figures and had the most impact on revenues.

Traffic in the general cargo category totalled 6.6 million tonnes in 1989, a decrease of 300,000 tonnes or 4.6 percent compared with 1988. After six consecutive record-setting years, our containerized cargo traffic decreased by 370,000 tonnes or 6.4 percent in 1989. It totalled 5.4 million tonnes, compared with 5.7 million tonnes in 1988.

The Port of Montréal has undertaken several initiatives to meet this challenge head-on: the creation of a port railway users' committee has brought about a significant decrease in the number of necessary interswitchings at the port, resulting in faster transit times to Toronto, Detroit and Chicago; the first phase of the port's EDI project has progressed to the point where data is to be transmitted computer-to-computer by the end of March 1990; rigid cost controls and our ongoing commitment to streamlining are reflected in our operating costs. Between 1985 and 1989, they went from \$47.9 million to \$54.8 million, an increase of \$6.9 million or 14.2 percent. Over this same period, inflation increased by 18.8 percent.

Measures such as these have allowed us to enhance our competitive situation, and the improvement of our incentive plan in 1990 will continue to stimulate container trade.

Petroleum products traffic totalled 7 million tonnes in 1989, down 300,000 tonnes or 4.5 percent from 1988, due mainly to a drop in crude oil. Grain traffic at 1.7 million tonnes in 1989 decreased 1.3 million tonnes or 43.6 percent compared with 1988. In fact, one must go as far back as 1944 to find a year worse than 1989 for the movement of grain at the Port of Montréal.

The main factors that contributed to this decrease included the effects of 1988's drought on the Prairies, lower than anticipated grain shipments to traditional customers, and increased movements via western Canada with its added elevator capacity and lower inland transportation costs.

Traffic in the other dry and liquid bulk category totalled 5.1 million tonnes, up 100,000 tonnes.

### Financial Results

Revenue from operations totalled \$53 million and operating and administrative expenses amounted to \$54.8 million in 1989, resulting in an operating loss of \$1.8 million, the first since 1979 when it was \$2.2 million. Net investment income amounted to \$7 million resulting in a net income of \$5.2 million.

Expenses in 1989 increased 4.2 percent, which was less than the rate of inflation of 5 percent. Grants in lieu of municipal taxes paid to the City of Montréal combined with higher depreciation costs were the main reasons for this increase. Capital expenditures at \$15.2 million reflect our continuing commitment to expanding and improving our facilities.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors, and the shareholder, that the Corporation has made measurable progress in achieving its objectives, and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

### Outlook

As the 1990s bring on different and increasingly complex challenges, the Port of Montréal, with its strategic location right on the doorstep of North America's industrial heartland, is ideally positioned to handle all types of traffic quickly, efficiently, safely and at extremely competitive prices.

For the containerized cargo sector, taking into account the competitive situation that remains very fierce, we anticipate an increase that should be in line with forecasted economic growth. As for grain, we anticipate that it should return to at least the level attained in 1988.

In conclusion, we would like to take this opportunity to extend our heartfelt thanks to our employees and to all members of the port community for their tireless efforts to ensure the success of the Port of Montréal, a major world port and Canada's number one container port.

*André Gingras*  
**André Gingras**  
Chairman of the Board

*Dominic J. Taddeo*  
**Dominic J. Taddeo**  
General Manager and Chief Executive Officer



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Montréal Port Corporation as at December 31, 1989 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

*Samsen Bélair / Deloitte & Touche*

### Chartered Accountants

Montréal, Quebec  
February 9, 1990

## Balance Sheet as at December 31, 1989

(in thousands of dollars)

Assets	1989	1988
Current		
Cash	\$ 1,340	\$ 692
Investments (Note 3)	21,083	28,871
Accounts receivable	10,240	9,176
Materials and supplies	940	872
	<u>33,603</u>	<u>39,611</u>
Investments (Note 3)	39,749	39,572
Fixed assets (Note 4)	156,989	153,618
Other assets	579	499
	<u>\$ 230,920</u>	<u>\$ 233,300</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 8,117	\$ 10,254
Grants in lieu of municipal taxes	820	2,386
	<u>8,937</u>	<u>12,640</u>
Accrued employee benefits	5,206	5,329
Loans from Canada (Note 6)	6,129	6,561
	<u>11,335</u>	<u>11,890</u>
Equity of Canada		
Contributed capital	183,569	183,569
Retained earnings	27,079	25,201
	<u>210,648</u>	<u>208,770</u>
	<u>\$ 230,920</u>	<u>\$ 233,300</u>

On behalf of the Board:

*André Gingras*  
André Gingras  
Chairman

*Dominic J. Taddeo*  
Dominic J. Taddeo  
General Manager and Chief Executive Officer



## Statement of Income

(in thousands of dollars)

year ended December 31, 1989	1989	1988
Revenue from operations	\$ 53,034	\$ 57,268
Operating and administrative expenses	40,159	39,385
Depreciation	10,503	9,838
Grants in lieu of municipal taxes	4,125	3,403
	54,787	52,626
Income (loss) from operations	(1,753)	4,642
Investment income	7,372	7,968
Interest expense	(436)	(459)
	6,936	7,509
Income before unusual item	5,183	12,151
Adjustment of grants in lieu of municipal taxes	—	1,915
Net income	\$ 5,183	\$ 14,066

## Statement of Retained Earnings

(in thousands of dollars)

year ended December 31, 1989	1989	1988
Balance at beginning	\$ 25,201	\$ 15,407
Net income	5,183	14,066
Dividend	(3,305)	(4,272)
Balance at end	\$ 27,079	\$ 25,201



# Statement of Changes in Financial Position

(in thousands of dollars)

year ended December 31, 1989	1989	1988
Inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 5,183	\$ 14,066
Items not affecting cash		
Depreciation	10,503	9,838
Other	687	142
	16,373	24,046
Changes in non-cash operating working capital items	(5,211)	(1,987)
	11,162	22,059
Financing		
Repayment of current portion of loans from Canada	(407)	(383)
Increase (decrease) in accrued employee benefits	(123)	104
Dividend paid	(3,305)	(4,272)
	(3,835)	(4,551)
Investing		
Acquisition of long-term investments	(177)	(177)
Acquisition of fixed assets	(15,029)	(24,423)
Deposit on land to be sold	375	—
Proceeds on disposal of fixed assets	468	51
Receipt of other assets	36	28
Acquisition of other assets	(140)	(81)
	(14,467)	(24,602)
Decrease in cash	(7,140)	(7,094)
Cash at beginning	29,563	36,657
Cash at end	\$ 22,423	\$ 29,563

Cash comprises cash and short-term investments.



## Notes to Financial Statements

year ended December 31, 1989

### 1. Status

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with paragraph 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation

in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour as are administered by the Board, shall be deemed to have been transferred to the local port corporation, in this case the Montréal Port Corporation.

### 2. Significant Accounting Policies

#### (a) Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

#### (b) Inventories

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on average cost.

#### (c) Fixed Assets and Depreciation

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

#### (d) Pension Costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan

administered by the government of Canada.

Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

#### (e) Grants in Lieu of Municipal Taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (f) Employee Benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with Corporation policy.

### 3. Investments

Funds are invested in government of Canada direct securities and guaranteed by the government of Canada. As at December 31, 1989, the market value

of the short-term investments is equivalent to their amortized cost, and market value of long-term investments is \$43,868,057 (\$42,450,600 in 1988).



#### 4. Fixed Assets

(in thousands of dollars)

			1989	1988
	Depreciation Rates	Cost	Net Book Value	Net Book Value
Land		\$ 26,086	\$ 26,086	\$ 23,230
Dredging	2.5%	16,177	3,526	3,510
Berthing structures	2.5%	60,430	20,602	20,598
Buildings	2.5-10%	71,291	39,578	38,072
Utilities	3.3-10%	17,751	9,927	10,052
Roads and surfaces	2.5-10%	55,225	38,208	37,552
Machinery and equipment	5-20%	54,963	17,090	18,381
Office furniture and equipment	20%	2,960	1,272	468
		304,883	156,289	151,863
Projects under construction		700	700	1,755
		\$ 305,583	\$ 156,989	\$ 153,618

#### 5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues of \$632,317 (\$1,002,793 in 1988) and for the current portion of long-term liabilities of \$432,497 (\$407,056 in 1988).

#### 6. Loans from Canada

(in thousands of dollars)

	1989	1988
Loans bearing interest at 6.25% with blended annual principal and interest repayment requirements of \$842,561 and maturing in the year 2000	\$ 6,561	\$ 6,968
Current portion	432	407
	\$ 6,129	\$ 6,561

Principal repayment requirements over the next five years amount to:

1990	1991	1992	1993	1994
\$ 432,497	\$ 459,528	\$ 488,249	\$ 518,765	\$ 551,187

#### 7. Contingencies

Claims aggregating approximately \$6,300,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made

against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.



## 8. Commitments

a) Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$708,000.

b) In accordance with a government of Canada policy concerning payment of dividend, the Corporation

would be required to pay a dividend, in respect of the 1989 fiscal year, based on a method of calculation using net income. This dividend payable before March 31, 1990, would amount to approximately \$1,410,000 and would be applied against retained earnings.

## 9. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

## Board of Directors

**André Gingras\***

Chairman

President

André Gingras et associés Inc.

Westmount, Quebec

**Bernard J. Finestone\***

Vice-Chairman

President, Abbey-Finestone Inc.

Westmount, Quebec

**Roger Bishop**

Membre, Local 375

International Longshoremen's Association

Brossard, Quebec

**Suzanne Brochu**

Communications Officer

Caisse de dépôt et placement du Québec

Montréal, Quebec

**Raphael Esposito**

Esposito, Cocciardi, St-Onge & Beaulieu

Montréal, Quebec

\* Members of the Executive Committee

## Officers of the Corporation

**André Gingras**

Chairman

**Dominic J. Taddeo**

General Manager and Chief Executive Officer

**Yvan Simard**

Deputy General Manager

**André Bédard**

Director of Human Resources

**Jacques Brault**

Director of Police and Security

**Jean-Pierre Desjardins**

Director of Planning and Development

**Roger Dubé**

Director of Finance and Administration

**Michel Lesage**

Director of Operations

**Frank Martini**

Director of Marketing

**Jean Mongeau**

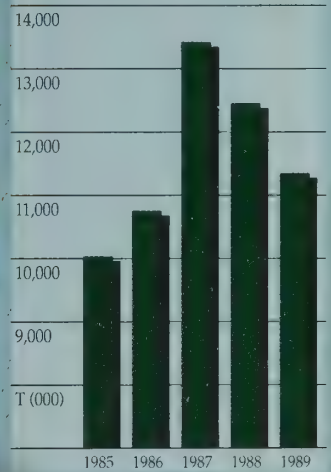
Corporate Secretary



# Prince Rupert Port Corporation



Total Traffic





## Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer



Allan T. Sheppard



Robert W. Tytaneck

**T**he Prince Rupert Port Corporation is pleased to report activities and results for the 1989 fiscal year. During the year, the port continued to focus on strategic issues which affect the future development and utilization of its facilities. The port also continued its intensive marketing program to ensure that all possible business opportunities are explored in order to optimize use of port facilities.

One of the major achievements for the Port of Prince Rupert for 1989 is the substantial completion of the Fairview Terminal expansion which provides increased terminal storage space of 35 percent and an additional ship berth. This will ensure that Canadian exporters of forest products have an effective and efficient gateway through which world markets can be reached for years to come. The expanded terminal will be in use by the spring of 1990.

In addition to the expansion of Fairview Terminal, the port is undertaking engineering studies on Westview Terminal which is located in the inner harbour of Prince Rupert. This strategically important site is expected to become a second general cargo terminal for the port. Discussions with potential customers and terminal operators are ongoing.

Another major strategic issue focussed on during the year is the acquisition of waterfront property. A Land Use Management Plan was completed for the port in 1989 which outlines the requirements for acquisition of waterfront land seen as strategic to the port's continued development. Progress in this initiative has been made during the year and will continue in order that the port can satisfy its objectives of developing the waterfront consistent with national, regional and local needs.

Total throughput at the Port of Prince Rupert in 1989 totalled 11.3 million tonnes, which is a 9 percent decline over the 1988 results. This decline is attributed to marginal decreases in most of the commodities handled at the port. Coal throughput at the port reached 5.9 million tonnes which relates to a 12 percent reduction over 1988 tonnage. Grain shipments of 3.28 million tonnes showed an 11 percent reduction over last year. Pulp shipments of 362,000 at Watson Island were also down over the previous year.

Traffic at the port owned Fairview Terminal remained the same as last year at one million tonnes. This included lumber throughput for the year of 791,000 tonnes which is a slight reduction over the previous year. The balance of the tonnage at Fairview was predominantly woodpulp, mineral concentrates and grain products.

While ferry passengers through the port increased during 1989 to 186,121 there was a decrease in the number of cruise passengers to 2,023. Several cruise vessels will again be based in the Port of Prince Rupert for the next cruise season.

Despite the decline in overall tonnage for the year, total vessel activity continued to increase. In 1989, a total of 1,702 commercial vessels called at the port, which relates to an increase of 5 percent over 1988 traffic.

The Port of Prince Rupert is pleased to announce favourable financial results for 1989. Operating revenues remained at \$14.6 million with a net operating income of \$3.8 million which is a slight reduction over last year. These financial results are particularly gratifying for the port as it continues to fund major development projects including the Fairview expansion.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors, and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

In conclusion, the port would like to thank everyone involved in waterfront activity in Prince Rupert for their effort and dedication during 1989. We are confident that the upcoming challenges of the 1990s can be met with this continued support from the industry. With the commitment and contribution of the Prince Rupert waterfront community, the Port of Prince Rupert will continue to expand and develop in order to meet the needs of its customers into the 1990s.

Allan T. Sheppard  
Chairman of the Board

Robert W. Tytaneck  
General Manager and Chief Executive Officer



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Prince Rupert Port Corporation as at December 31, 1989 and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

*Seal Marwick Thorne*

Chartered Accountants

Vancouver, British Columbia  
February 2, 1990

## Balance Sheet as at December 31, 1989

Assets	1989	1988
<b>Current</b>		
Cash	\$ 106,563	\$ 54,386
Investments (note 1)	1,793,604	16,431,572
Accounts receivable	1,325,290	861,425
Materials and supplies	110,779	93,664
	<u>3,336,236</u>	<u>17,441,047</u>
Property and Equipment (note 2)	97,774,346	71,272,047
	<u>\$101,110,582</u>	<u>\$ 88,713,094</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 3,317,012	\$ 686,166
Payable to Canada	1,864,733	18,868
Grants in lieu of municipal taxes	500,874	394,598
Deferred revenues	173,481	149,330
Current portion of loans from Canada	80,129	—
	<u>5,936,229</u>	<u>1,248,962</u>
<b>Long-Term Debt</b>		
Recoverable contribution from Canada (note 3)	48,300,000	48,300,000
Loans from Canada (note 4)	4,419,871	—
	<u>52,719,871</u>	<u>48,300,000</u>
<b>Equity of Canada</b>		
Contributed capital	31,311,805	31,311,805
Surplus	11,142,677	7,852,327
	<u>42,454,482</u>	<u>39,164,132</u>
	<u>\$101,110,582</u>	<u>\$ 88,713,094</u>
Commitments (note 5)		

On behalf of the Board:

*Allan T. Sheppard*

Allan T. Sheppard  
Chairman

*Terrence R. Andrew*

Terrence R. Andrew  
General Manager and Chief Executive Officer



**Statement of Income  
and Surplus**

	year ended December 31, 1989	1989	1988
Revenue from operations		\$ 14,372,103	\$ 14,585,020
Expenses			
Operating and administrative		9,614,220	9,563,862
Depreciation		701,994	697,684
Grants in lieu of municipal taxes		544,573	407,665
		10,860,787	10,669,211
Income from operations		3,511,316	3,915,809
Other income (expense)			
Interest income		985,783	1,257,306
Settlement of litigation		—	87,507
Interest expense		(83,562)	—
		902,221	1,344,813
Net income		4,413,537	5,260,622
Surplus at beginning of year		7,852,327	3,536,276
		12,265,864	8,796,898
Dividend to Canada		1,123,187	944,571
Surplus at end of year		\$ 11,142,677	\$ 7,852,327



# Statement of Changes in Financial Position

year ended December 31, 1989	1989	1988
Cash provided by (used for):		
Operations		
Net income	\$ 4,413,537	\$ 5,260,622
Items not involving cash		
Depreciation	701,994	697,684
Changes in non-cash operating working capital		
Accounts receivable	(463,865)	88,932
Materials and supplies	(17,115)	(26,342)
Accounts payable and accrued liabilities	2,630,846	139,258
Grants in lieu of municipal taxes	106,276	26,458
Deferred revenues	24,151	(12,886)
	7,395,824	6,173,726
Financing		
Increase in payable to Canada	1,845,865	15,903
Increase in loans from Canada	4,500,000	—
Dividend to Canada	(1,123,187)	(944,571)
	5,222,678	(928,668)
Investment		
Purchase of property and equipment	(27,204,293)	(656,981)
Increase (decrease) in cash position	(14,585,791)	4,588,077
Cash position at beginning of year	16,485,958	11,897,881
Cash position at end of year	\$ 1,900,167	\$ 16,485,958
Cash position is defined as cash and investments		



## Notes to Financial Statements

year ended December 31, 1989

### Local Port Corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

### Summary of Significant Accounting Policies

#### (a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

#### (b) Property and equipment

Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	2.5 - 6.7 %
Berthing structures	2.5 - 10 %
Buildings	2.5 - 10 %
Roads and surfaces	2.5 - 10 %
Utilities	3.3 - 10 %
Machinery and equipment	5 - 10 %
Office furniture and equipment	20 %

#### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

### 1. Investments

	1989	1988
Amortized cost	\$ 1,793,604	\$ 16,431,572
Market value	\$ 1,791,970	\$ 16,377,031



## 2. Property and Equipment

			1989	1988
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 60,498,881	\$ –	\$ 60,498,881	\$ 60,126,625
Dredging	5,177	1,553	3,624	3,753
Berthing structures	8,699,242	3,266,005	5,433,237	5,676,409
Buildings	2,470,756	521,987	1,948,769	1,905,268
Roads and surfaces	3,512,385	2,349,085	1,163,300	1,388,463
Utilities	2,597,237	1,396,223	1,201,014	1,305,281
Machinery and equipment	1,802,975	1,459,348	343,627	246,935
Office furniture and equipment	280,201	152,826	127,375	99,942
Construction in progress	27,054,519	–	27,054,519	519,371
	<b>\$106,921,373</b>	<b>\$ 9,147,027</b>	<b>\$ 97,774,346</b>	<b>\$ 71,272,047</b>

## 3. Recoverable Contribution from Canada

A recoverable contribution of \$50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1989 is \$48,300,000.

The total recoverable contribution was interest-free until April 1, 1989, thereafter it bears interest of approximately 13.9%.

Principal and interest on \$48,300,000 of the contribution are repayable in annual instalments over the next 20 years, contingent upon the revenues received from a direct coal throughput surcharge of \$ .44 per tonne for 1989, (escalating with the rate of increase in the Consumer Price Index) at a minimum throughput of 6,600,000

tonnes but not to exceed 12,000,000 tonnes per year. On April 1, 2009, it is anticipated that the unpaid balance of the contribution, if any, will be forgiven by the government of Canada.

As the Corporation acts as an intermediary between Ridley Terminals Inc. and the government of Canada, the surcharge revenues and interest payments are not reflected in the Corporation's statement of income. Rather, they are reflected on the balance sheet as payable to Canada.

As at December 31, 1989, the Corporation has received/receivable approximately \$1,900,000 in connection with the above surcharge which is included in payable to Canada.

## 4. Loans from Canada

	1989	1988
Interest-bearing loans at 9.80% to 9.86% repayable in blended annual instalments, maturing in 2009	\$ 4,500,000	\$ –
Less portion included in current liabilities	80,129	–
	<b>\$ 4,419,871</b>	<b>\$ –</b>

Principal repayment requirements over the next five years are as follows:

	1990	1991	1992	1993	1994
	\$ 80,000	\$ 88,000	\$ 97,000	\$ 106,000	\$ 117,000
					<b>\$ 488,000</b>



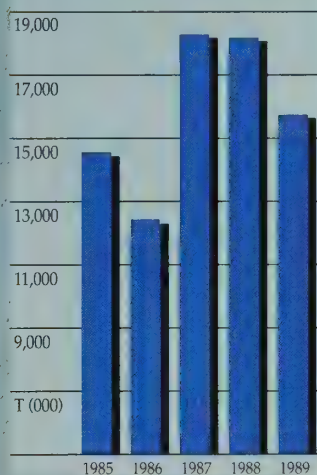
<b>5. Commitments</b>	(a) At December 31, 1989, commitments in connection with construction of a new berth at Fairview Terminal amounted to approximately \$1,786,000.  (b) The Corporation rents a building under a long-term operating lease which expires May 1, 1991, the	annual rental rate for which is \$81,264. The aggregate rental payable to the expiry date amounts to \$108,352.  (c) At December 31, 1989, the Corporation was committed to acquire a 12 hectare land parcel at Westview Terminal for approximately \$1,200,000.
<b>6. Related Party Transactions</b>	(a) During the year, the Corporation received revenue of \$1,489,644 (1988, \$1,274,593) from Ridley Terminals Inc., a company in which Canada Ports Corporation has a significant investment. At December 31, 1989, the Corporation was owed \$495,561 by Ridley Terminals Inc. (1988, \$124,961).	(b) During the year the Corporation paid \$463,961 (1988, \$485,279) to Canada Ports Corporation as its share of that Corporation's head office expense.
<b>Board of Directors</b>	<b>Allan T. Sheppard*</b> Chairman Owner/Manager Port Edward Marine Services Prince Rupert, B.C.  <b>Dolores D. MacIntosh*</b> Vice-Chairman Property Manager Prince Rupert, B.C.  <b>John T. Payne*/**</b> General Manager Universal Stores Inc. Prince Rupert, B.C.  <b>John D. McNish**</b> Manager Credit Bureau of Prince Rupert Prince Rupert, B.C.	<b>William B. Hick</b> Physician (Retired) Prince Rupert, B.C.  <b>Donald Seidel**</b> Manager Prince Rupert Motors Ltd. Prince Rupert, B.C.  <b>Ronald A. Ciccone</b> Agent Mutual Life of Canada Prince Rupert, B.C.  * Executive Committee ** Audit Committee
<b>Officers of the Corporation</b>	<b>Allan T. Sheppard</b> Chairman  <b>Robert W. Tytaneck</b> General Manager and Chief Executive Officer  <b>Don H. Krusel</b> Manager, Finance and Administration	<b>Joseph A. Stranan</b> Manager, Marketing and Planning  <b>Terrence R. Andrew</b> Director, Technical Services



# Port of Québec Corporation



Total Traffic





## Joint Message from the Chairman of the Board and the President and Chief Executive Officer



Guy Boulanger



Ross Gaudreault

**T**he Port of Québec Corporation is pleased to submit its annual report for 1989. The year's events highlighted the role that deep water and intermodal transportation will play in future port development, while underscoring the importance of an ongoing corporate strategy based on diversification.

An increase in the volume of mineral concentrates and general cargo helped offset a decline in grain shipments which affected the entire Great Lakes – St. Lawrence maritime industry in 1989. Traffic at the Port of Québec totalled 15.7 million tonnes, compared to 18.2 million tonnes in 1988. The downturn was principally due to the fall in grain exports, since overall tonnage for other cargos handled at Corporation facilities actually increased by 8 percent.

The poor harvest registered on the Prairies in 1988, combined with the growing use of west coast ports, pushed grain transshipments from 4.5 million tonnes in 1988 down to only 2.8 million tonnes in 1989. The volume of petroleum products also declined as the Ultramar refinery carried out a renovation program which slowed regular operations. The project will however increase refining capacity by 10 percent in 1990.

In the handling of mineral concentrates, the Port of Québec continued to develop as the principal transshipment center serving the Great Lakes. With dockside depths of 15.5 meters at low tide, the port can receive deep-draft vessels which are unable to navigate on the St. Lawrence upstream. This type of cargo, including iron ore mainly destined to US steel mills, reached the 3.6 million tonne level in 1989, up from 3 million tonnes the previous year.

Positive results also marked activity in the general cargo sector. The volume of newsprint and cardboard attained a record 184,000 tonnes.

### Financial Highlights

A brief summary of financial results for 1989 show overall revenues of \$14.6 million and a net income of \$1.7 million.

### A Promising Future

In spite of the difficult situation currently experienced in the grain trade, the Port of Québec is on the verge of major development in several areas of activity. Marketing and diversification remain the basis of our corporate strategy and produced positive results in 1989.

Aluminerie Luralco, a subsidiary of Alumax Corporation, announced plans to build a bulk terminal at the Port of Québec to handle raw materials bound for its new plant under construction at Deschambault. The project calls for a \$31 million investment, including \$6.3 million by the Port of Québec Corporation to rebuild two wharves. Luralco will annually handle 415,000 tonnes of alumina and 75,000 tonnes of petroleum coke when operations begin at the terminal in 1991.

A \$10 million upgrading program at the Beauport solid bulk terminal will begin in the spring of 1990. Direct ship-to-ship cargo transfers will be made possible by a new conveyor system, which will also provide additional flexibility for the storage and transshipment of products such as iron ore, coal and copper.

The Port of Québec Corporation will intensify efforts to develop a container terminal. The port's deep-water advantage, combined with the construction of ever-larger container ships, will be key factors in bringing this project to a successful conclusion.

The Corporation is also committed to maximizing the economic and social benefits of maritime activity. Our investment program to improve and promote the Port of Québec Marina provides a case in point. The number of boating enthusiasts visiting the facility increased by 34 percent in 1989, generating an economic impact of \$1 million for the region's tourist industry.

To attain the ambitious objectives which it has set forth, the Port of Québec Corporation can depend on the competence and commitment of its employees. We wish to take this opportunity to thank them, as their collective talents make up the Corporation's most important asset at the dawn of a new and promising decade.

Guy Boulanger, f.c.a.  
Chairman of the Board

Ross Gaudreault  
President and Chief Executive Officer



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Port of Québec Corporation as at December 31, 1989 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the letters patent and by-laws of the Corporation.

*Peat Marwick Thorne*

Chartered Accountants

Québec, Quebec  
February 7, 1990

## Balance Sheet as at December 31, 1989

Assets	1989	1988
Current		
Cash	\$ 403,424	\$ 500,552
Investments (note 1)	21,464,555	18,018,706
Accounts receivable	1,875,204	2,655,573
Materials and supplies	142,038	131,856
	<u>23,885,221</u>	<u>21,306,687</u>
Investments (note 1)	6,702,891	6,676,546
Fixed assets (note 2)	<u>41,490,002</u>	<u>42,337,986</u>
	<u>\$ 72,078,114</u>	<u>\$ 70,321,219</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,749,375	\$ 1,955,951
Grants in lieu of municipal taxes	664,000	398,200
Deferred revenues	817,416	795,178
	<u>3,230,791</u>	<u>3,149,329</u>
Long Term		
Accrued employee benefits	890,000	810,200
Equity of Canada		
Contributed capital	63,182,198	63,182,198
Surplus	4,775,125	3,179,492
	<u>67,957,323</u>	<u>66,361,690</u>
	<u>\$ 72,078,114</u>	<u>\$ 70,321,219</u>
Contingencies (note 6)		
Commitment (note 7)		

On behalf of the Board:

*Guy Boulanger*

Guy Boulanger, f.c.a.  
Chairman

*Ross Gaudreault*

Ross Gaudreault  
President and Chief Executive Officer



<b>Statement of Income</b>	year ended December 31, 1989	1989	1988
	Revenue from operations	\$ 11,313,942	\$ 11,177,475
	Expenses		
	Operating and administrative expenses	9,713,793	9,118,893
	Depreciation	2,055,558	1,995,468
	Grants in lieu of municipal taxes	1,149,559	1,053,686
		12,918,910	12,168,047
	Loss from operations	(1,604,968)	(990,572)
	Investment income	2,899,549	2,290,572
	Net income before unusual item	1,294,581	1,300,000
	Gain in settlement of past litigations	381,052	—
	Net Income	\$ 1,675,633	\$ 1,300,000
<b>Statement of Contributed Capital</b>	year ended December 31, 1989	1989	1988
	Balance at beginning of year	\$ 63,182,198	\$ 61,759,198
	Contribution from Canada (note 3)	—	1,423,000
	Balance at end of year	\$ 63,182,198	\$ 63,182,198
<b>Statement of Surplus</b>	year ended December 31, 1989	1989	1988
	Surplus at beginning of year	\$ 3,179,492	\$ 2,186,751
	Net income	1,675,633	1,300,000
	Dividend to Canada	(80,000)	(307,259)
	Surplus at end of year	\$ 4,775,125	\$ 3,179,492
<b>Statement of Changes in Financial Position</b>	year ended December 31, 1989	1989	1988
	Cash provided by (used for):		
	Operations		
	Net income	\$ 1,675,633	\$ 1,300,000
	Items not affecting cash		
	Amortization of discount on Canada government bonds	(26,345)	(26,345)
	Depreciation	2,055,558	1,995,468
	Loss (gain) on disposal of fixed assets	55,075	(53,145)
	Accrued employee benefits	79,800	41,722
		3,839,721	3,257,700
	Changes in non-cash operating working capital (note 4)	851,649	543,234
		4,691,370	3,800,934
	Investment		
	Additions to fixed assets	(1,308,195)	(874,918)
	Proceeds on disposal of fixed assets	45,546	58,152
	Others	—	2,889
		(1,262,649)	(813,877)
	Financing		
	Contributed capital	—	1,423,000
	Dividend to Canada	(80,000)	(307,259)
		(80,000)	1,115,741
	Increase in cash position	3,348,721	4,102,798
	Cash position at beginning of year	18,519,258	14,416,460
	Cash position at end of year	\$ 21,867,979	\$ 18,519,258
	Cash position is represented by:		
	Cash	\$ 403,424	\$ 500,552
	Investments	21,464,555	18,018,706
		\$ 21,867,979	\$ 18,519,258



## Notes to Financial Statements

year ended December 31, 1989

### General

The Port of Québec Corporation was incorporated on June 1, 1984, under article 6.2(1) of the *Canada Ports Corporation Act*.

### Summary of Significant Accounting Policies

#### (a) Investments

Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premium or discount is amortized over the periods to maturity.

#### (b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight line basis for the full year commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5 - 6.7 %
Berthing structures	2.5 - 10 %
Buildings	2.5 - 10 %
Utilities	3.3 - 10 %
Roads and surfaces	2.5 - 10 %
Machinery and equipment	5 - 20 %
Office furniture and equipment	20 %

#### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (d) Insurance

The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

#### (e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (f) Employee benefits

The Corporation accounts for estimated liabilities relating to severance pay, annual leave and overtime compensatory leave: these benefits are payable to its employees in subsequent years under its collective agreements, or in accordance with its policy.

### 1. Investments

Investments, which are direct securities guaranteed by Canada, are as follow:

	1989		1988	
	Cost	Market Value	Cost	Market Value
Current	\$ 21,464,555	\$ 21,411,038	\$ 18,018,706	\$ 17,947,547
Long term	\$ 6,702,891	\$ 7,520,074	\$ 6,676,546	\$ 7,208,678

### 2. Fixed Assets

	1989		1988	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 11,098,253	\$ —	\$ 11,098,253	\$ 11,098,253
Dredging	4,561,341	3,979,369	581,972	610,033
Berthing structures	22,879,511	17,079,260	5,800,251	5,959,226
Buildings	33,563,707	15,212,907	18,350,800	19,160,156
Utilities	3,703,510	2,271,615	1,431,895	1,537,941
Roads and surfaces	5,930,727	3,927,074	2,003,653	2,369,830
Machinery and equipment	684,603	462,259	222,344	139,227
Office furniture and equipment	861,688	514,931	346,757	231,536
Projects under construction	1,654,077	—	1,654,077	1,231,784
	\$ 84,937,417	\$ 43,447,415	\$ 41,490,002	\$ 42,337,986



<b>3. Contribution from Canada</b>	Pursuant to a resolution from the Treasury Board, the Ministry of Transport has transferred at no cost on January 1, 1988, the administration, management, control and property of certain assets previously managed by Société Immobilière du Canada (Vieux Port de Québec) Inc. The Ministry	of Transport of Canada paid to the Corporation in 1988 a total amount of \$1,423,000 as a compensation to help absorb the estimated operating deficits for the next five years. This amount has been credited to contributed surplus.
<b>4. Changes in Non-Cash Operating Working Capital</b>		
		1989
	Accounts receivable	\$ 780,369
	Materials and supplies	(10,182)
	Accounts payable and accrued liabilities	(206,576)
	Grants in lieu of municipal taxes	265,800
	Deferred revenues	22,238
		\$ 851,649
		1988
		\$ 662,421
		(56,025)
		(123,698)
		54,200
		6,336
		\$ 543,234
<b>5. Related Party Transactions</b>	During the year, the Corporation entered into transactions with related entities including various ministry, government organizations and Crown corporations.	Principally, the Corporation earned rental revenues from related entities. The expenses paid to related parties mainly consist in management fees.
<b>6. Contingencies</b>	Claims aggregating approximately \$900,000 have been received by the Corporation in respect of lawsuits and various other matters in dispute. In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.	In addition, claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.  These amounts are not recorded in the financial statements.
<b>7. Commitment</b>	The Corporation has made commitments totalling approximately \$9,900,000 of which \$440,000 has been	expensed as at December 31, 1989, relating to the modernization of a solid bulk terminal.

## Board of Directors

<b>Guy Boulanger, f.c.a.*</b> Chairman Partner Caron Bélanger Québec, Que.	<b>Claude Gagné</b> Sales Representative Toshiba of Canada Ltd. Vanier, Que.
<b>Raymond Stuart McBain*</b> Vice-Chairman President Ver-Mac Inc. Sainte-Foy, Que.	<b>Roméo Savard</b> Foreman International Longshoremen's Association Québec, Que.
<b>Denise Rancourt-Bélanger *</b> Lawyer Lévis, Que.	<b>André Sarasin</b> Senior Vice-President Engineering and Development Les produits forestiers Daishowa Québec, Quebec
<b>Yvon Dolbec</b> President Dolbec Y. Logistique Int'l Inc. Sainte-Foy, Que.	

\* Member of the Executive Committee

## Officers of the Corporation

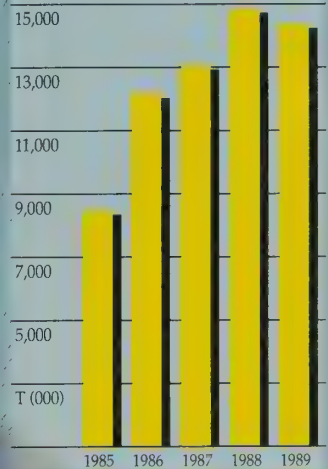
<b>Guy Boulanger, f.c.a.</b> Chairman	<b>Raymond Leclerc</b> Director, Engineering and Maintenance
<b>Ross Gaudreault</b> President and Chief Executive Officer	<b>André Boulet</b> Director, Police and Security
<b>Louis-Philippe Cormier</b> Director, Administration	<b>Dave Johanson</b> Director, Promotion
<b>Mario Bernard</b> Director, Finance	<b>Yvon Lambert</b> Director, Human Resources
<b>Yvon Bureau</b> Director, Operations	<b>Gary Q. Ouellet, c.r.</b> Corporate Secretary
<b>Marc Dulude</b> Director, Marketing	



# Saint John Port Corporation



Total Traffic





## Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer



Harry P. Gaunce



Kenneth R. Krauter

**W**e are pleased to report on progress and accomplishments for 1989. Profitability was maintained for the second consecutive year and increased resources were directed to improving port facilities. Marketing activities were expanded and new opportunities are being pursued which will increase the importance of Saint John in marine transportation.

In accordance with our statutory obligation, it is a pleasure to inform the Board of Directors, and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

### Traffic Highlights

Increased shipments of petroleum, forest products and sugar contributed to an overall traffic level of 14.7 million tonnes which was close to the record 14.9 million tonnes of 1988. Petroleum traffic was up two percent to 11.6 million tonnes, forest products increased by fifteen percent to 931,000 tonnes and sugar shipments were up by twenty percent.

Container traffic continued at the same level as the previous year and new prospects for growth in containerized cargo were identified. Potash shipments declined by fifteen percent over the previous year due to soft market conditions at the beginning of the year. Shipments of grain were down significantly as a result of the change in the inland transportation subsidy for this commodity.

### Financial Results

Last year was the second consecutive year that the Corporation achieved a positive net income. Revenue from operations totalled \$11.3 million and net income from operations was \$1 million. Investment income of \$1.5 million was more than offset by interest expenses of \$2.3 million on current debt obligations. Capital expenditures to improve port facilities amounted to \$1.1 million.

A facilities development program was initiated in 1989. The Corporation spent approximately \$2.4 million in a broad range of projects including terminal paving and redevelopment, repairs to berths and shed roofs, dredging and new terminal identification signs. Improving port facilities to better serve existing port customers and attract new business is an important part of our development plans.

An Economic Impact Study of the port was completed in 1989. The study found that of 2,198 direct and indirect jobs generated by cargo handling activities at the port, over 1,550 are located in New Brunswick. The personal income impact of the port amounted

to \$113 million, of which \$64 million was earned in New Brunswick. In 1988, the business revenue generated by port activities was \$120 million and the total tax impact was \$31 million. The study confirmed the vital importance of the Port of Saint John to the local, provincial and national economies.

Our marketing programs continued to expand in 1989. Early in the year the Corporation appointed a firm to represent the port in the United Kingdom and northern Europe. International marketing missions included a diverse range of locations including the United Kingdom, northern Europe and Scandinavia, Turkey, Cuba and Greenland. Increased marketing initiatives also encompassed the northeastern United States and eastern Canada.

The Corporation formed a Cruise Ship Committee with representation from the local tourism and hospitality industry, ship agencies, the central business community, and municipal, provincial and federal tourism organizations. A number of cruise lines have subsequently announced that they will begin calling at the port.

### Future Outlook

We look forward to the challenges and opportunities of the future. The members of the port community and our many customers have made an important contribution to our accomplishments during the past year. To our employees, we offer our sincere thanks for their commitment and dedication. The support of the Saint John Port Development Commission, the City of Saint John, and the province of New Brunswick is greatly appreciated. Working with these many people and organizations we are confident of a bright future for the Port of Saint John.

Harry P. Gaunce  
Chairman of the Board

Kenneth R. Krauter  
General Manager and Chief Executive Officer



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the Saint John Port Corporation as at December 31, 1989 and the statements of income and retained earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Ernst & Young*

Chartered Accountants

Saint John, Canada  
February 9, 1990

## Balance Sheet as at December 31, 1989

(in thousands of dollars)

Assets	1989	1988
Current		
Cash	\$ 7	\$ 620
Investments (note 3)	11,419	8,427
Accounts receivable	1,327	1,512
Materials and supplies	45	46
	<u>12,798</u>	<u>10,605</u>
Long-term		
Long-term investments (note 3)	959	956
Fixed assets (note 4)	78,317	79,960
	<u>79,276</u>	<u>80,916</u>
Total assets	<u>\$ 92,074</u>	<u>\$ 91,521</u>
Liabilities		
Current		
Accounts payable and accrued charges	\$ 1,110	\$ 890
Deferred revenues	378	279
Grants in lieu of municipal taxes	84	103
	<u>1,572</u>	<u>1,272</u>
Long-term		
Accrued employee benefits	425	398
Financing provided by a province (note 5)	19,696	19,696
Loans from Canada (note 6)	20,052	20,052
	<u>40,173</u>	<u>40,146</u>
	<u>41,745</u>	<u>41,418</u>
Equity of Canada		
Contributed capital	49,372	49,372
Retained earnings	957	731
	<u>50,329</u>	<u>50,103</u>
Total liabilities and equity of Canada	<u>\$ 92,074</u>	<u>\$ 91,521</u>
See accompanying notes		

On behalf of the Board:

*Harry P. Gaunce*

Harry P. Gaunce  
Chairman

*K. R. Krauter*

Kenneth R. Krauter  
General Manager and Chief Executive Officer



# Statement of Income and Retained Earnings

(in thousands of dollars)

year ended December 31, 1989	1989	1988
Revenues from operations	\$ 11,375	\$ 11,642
Expenses		
Operating and administrative	6,739	5,853
Grants in lieu of municipal taxes	754	727
Depreciation	2,696	2,700
Loss (gain) on disposal of fixed assets	98	(16)
	10,287	9,264
Income from operations before unusual item	1,088	2,378
Gain on disposal of land	—	1,218
Income from operations	1,088	3,596
Investment income	1,501	860
Interest expense	(2,363)	(2,363)
Net income	226	2,093
Retained earnings (deficit), beginning of year	731	(1,362)
Retained earnings, end of year	\$ 957	\$ 731

See accompanying notes



## Statement of Cash Flows

(in thousands of dollars)

year ended December 31, 1989	1989	1988
Cash provided by (used in)		
Operations		
Net income	\$ 226	\$ 2,093
Add (deduct) items not requiring a cash payment		
Depreciation	2,696	2,700
Loss (gain) on disposal of fixed assets	98	(1,234)
Other	25	9
	3,045	3,568
Net change in non-cash working capital balances (note 7)	486	(2,300)
	3,531	1,268
Investing		
Additions to fixed assets	(1,152)	(785)
Proceeds on disposal of fixed assets	-	1,252
Recovery on Musquash Harbour Project	-	799
	(1,152)	1,266
Increase in cash and short-term investments	2,379	2,534
Cash and short-term investments, beginning of year	9,047	6,513
Cash and short-term investments, end of year	\$ 11,426	\$ 9,047
See accompanying notes		



## Notes to Financial Statements

year ended December 31, 1989

### 1. *Canada Ports Corporation Act and Incorporation*

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation - Port of Saint John.

### 2. Significant Accounting Policies

#### (a) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

#### (b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Dredging	2.5 - 6.7 %
Berthing structures	2.5 - 10.0 %
Buildings	2.5 - 10.0 %
Utilities	3.3 - 10.0 %
Roads and surfaces	2.5 - 10.0 %
Machinery and equipment	5.0 - 100.0 %
Office furniture and equipment	20.0 %

#### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan

are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (d) Insurance

The Corporation assumes substantially all risks against fire and general perils, as well as for workers' compensation claims. Any costs arising from these risks are recorded in the accounts in the year they can be reasonably estimated.

#### (e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (f) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

### 3. Investments

Investments are direct and guaranteed securities of Canada as follows:

(in thousands of dollars)				
		1989		
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$ 11,419	\$ 12,013	\$ 8,427	\$ 8,780
Canada Bonds	\$ 959	\$ 1,000	\$ 956	\$ 1,000



#### 4. Fixed Assets

(in thousands of dollars)

			1989	1988
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 30,426	\$ -	\$ 30,426	\$ 30,363
Dredging	1,967	1,498	469	488
Berthing structures	63,670	29,095	34,575	35,945
Buildings	15,546	8,440	7,106	7,519
Utilities	7,734	3,706	4,028	4,250
Roads and surfaces	5,345	4,310	1,035	682
Machinery and equipment	1,834	1,664	170	244
Office furniture and equipment	1,167	815	352	454
Work under construction	156	-	156	15
	<b>\$ 127,845</b>	<b>\$ 49,528</b>	<b>\$ 78,317</b>	<b>\$ 79,960</b>

#### 5. Financing Provided by a Province

The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating

income of the terminal and the current portion payable as at December 31, 1989 has been calculated accordingly. The province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately \$1,030,000.

#### 6. Loans from Canada

(in thousands of dollars)

	1989	1988
Term loans bearing interest at 11.0% to 12.43% between December 31, 1998 and 2005	\$ 20,052	\$ 20,052

#### 7. Net Change in Non-Cash Working Capital Balances

(in thousands of dollars)

	1989	1988
Decrease (increase) in current assets		
Accounts receivable	\$ 185	\$ (304)
Materials and supplies	1	48
	<b>186</b>	<b>(256)</b>
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	220	(2,153)
Deferred revenues	99	6
Grants in lieu of municipal taxes	(19)	103
	<b>300</b>	<b>(2,044)</b>
	<b>\$ 486</b>	<b>\$ (2,300)</b>

#### 8. Related Party Transactions

During the year the Corporation paid \$696,000 (1988 - \$728,000) to Canada Ports Corporation as its share of that Corporation's head office expense.



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## Board of Directors

**Harry P. Gaunce \***  
Chairman  
President  
Armstrong & Bruce Insurance Ltd.  
Saint John, N.B.

**Henry Meinhardt \*/\*\***  
Vice-Chairman  
President  
Fundy Ventilation Ltd.  
Saint John, N.B.

**Edgar R. Cohen \*\*\***  
Owner  
Hoffman's Limited  
Saint John, N.B.

**Fernand Lanteigne \*\*\***  
Owner/General Manager  
Les Chantiers Nord-Est Ltee  
Societe du cable de la Peninsule  
Caraquet, N.B.

**David R. MacPherson \*\***  
President and Business Manager  
IBEW, Local 502  
Saint John, N.B.

**Shirley A. McAlary \*\***  
Agent  
Air Canada  
Saint John, N.B.

**Joseph V. Streeter \*/\*\*\***  
Vice-President  
R.B.C. Dominion Securities Inc.  
Saint John, N.B.

\* Executive Committee

\*\* Human Resources and Compensation Committee

\*\*\* Audit Committee

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## Officers of the Corporation

**Harry P. Gaunce**  
Chairman  
**Henry Meinhardt**  
Vice-Chairman  
**Kenneth R. Krauter**  
General Manager and Chief Executive Officer  
**Peter D. Clark**  
Director, Marketing

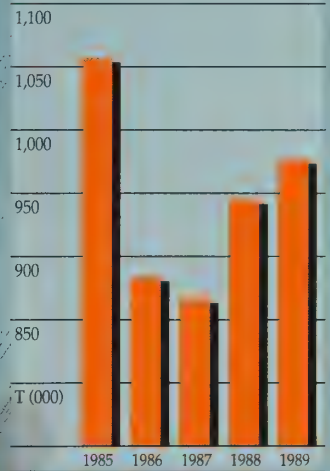
**R. Adam McBride**  
Director, Finance and Administration  
**Captain Cy E. Pringle**  
Director, Engineering and Operations  
**Ardith L. Bartlett**  
Corporate Secretary



# St. John's Port Corporation



Total Traffic

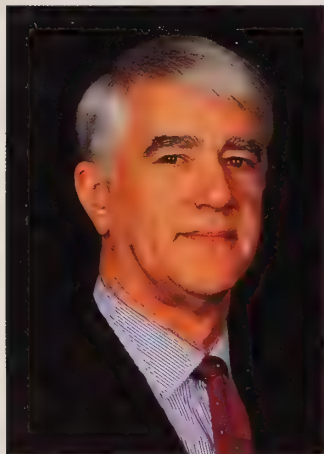




## Joint Message from the Chairman of the Board and the Port Manager and Chief Executive Officer



Fred M. Milley



David J. Fox

**R**esults for the Corporation covering the year 1989 were better than our original forecast. Although total vessel arrivals decreased by 8 percent, this was more than offset by an increase of 18 percent in container tonnage and an increase of 3 percent in total port tonnage.

Net income of \$429,300 was in excess of our forecast and also exceeded 1988 results. Increased tonnage, together with a reduction in operating expenses, contributed to the satisfactory results.

In accordance with our statutory obligation, we are pleased to inform the Board of Directors, and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets. This was confirmed by the audit report which stated that the examination disclosed no weaknesses or exceptions in either system or procedures which would require improvement or review.

### Terminal Expansion

In our 1988 report, it was stated that the Corporation was endeavouring to obtain additional property adjoining the container terminal. We are pleased to report that a large parcel of land was purchased from Hammerson Canada Inc. and significant progress was made on obtaining a smaller parcel from Transport Canada's asset disposal committee; the committee responsible for the disposition of former CN property in St. John's. At year end, the port concluded an arrangement with the City of St. John's to carry out certain street realignment and this will enable the Corporation to upgrade and incorporate the property purchased from Hammerson Canada Inc. with the container terminal. The upgrading and incorporation of the property from Transport Canada will be carried out at the same time.

### 1989 Objectives

In accordance with proposals suggested in the special examination and marketing study, carried out in 1988, certain reorganization changes were made during the operating year. We feel that the changes made contributed to the efficiency of the organization. Although we are very limited in marketing opportunities, our objective is to provide the best possible services and facilities for customers located in the Port of St. John's. A position of marketing officer was established so that there is a day-to-day liaison with port users. Other eastern

Newfoundland ports are aggressively promoting to try and increase their share of container traffic, but we feel we can meet this challenge.

### Capital Improvements

The planned capital improvement for 1990 is to upgrade and incorporate recently acquired property with the container terminal. At an estimated cost of \$1.6 million, this is the only major capital expenditure in our five-year plan. This position could change in the event a firm commitment is made to proceed with the construction phase of offshore oil production. Reports indicate that oil prices are increasing and, if this trend continues, the outlook for production will be much more positive.

### Economic Outlook

As a result of serious problems in the fishing industry, the economic outlook for the province is very negative. The already high unemployment rate will increase creating a negative impact on the economy. As a result, anticipated growth in container traffic may not occur. This could be offset by a decision to proceed towards the production of offshore oil.

The Corporation recognizes the seriousness of recent developments and previously projected increases for container tonnage may have to be revised. Nevertheless, the port operation will continue to be a major contributor to the overall economy of the St. John's area.

With the continued dedication of our employees and the support of the port community, we are optimistic that future results will be positive. The Board appreciates the contribution made by the staff of the Corporation and with the team approach will be able to achieve our objectives.

Fred M. Milley  
Chairman of the Board

David J. Fox, P.Eng.  
Port Manager and Chief Executive Officer



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of the St. John's Port Corporation as at December 31, 1989, and the statements of income and surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Chartered Accountants

St. John's, Newfoundland  
February 7, 1990

## Balance Sheet as at December 31, 1989

Assets	1989	1988
Current		
Cash	\$ 1,834	\$ 36,008
Investments (Note 3)	1,311,118	1,920,228
Accounts receivable	370,777	361,184
Due from Canada	75,095	-
	<u>1,758,824</u>	<u>2,317,420</u>
Fixed (Note 4)	14,784,522	14,563,595
	<u>\$ 16,543,346</u>	<u>\$ 16,881,015</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 250,346	\$ 776,689
Grants in lieu of municipal taxes	46,375	93,175
Deferred revenues	301,238	278,696
Current portion of loans from Canada	220,036	200,622
	<u>817,995</u>	<u>1,349,182</u>
Accrued employee benefits	91,491	107,324
Loans from Canada (Note 5)	2,912,126	3,132,162
	<u>3,821,612</u>	<u>4,588,668</u>
Equity of Canada		
Contributed capital	10,131,636	10,131,636
Surplus	2,590,098	2,160,711
	<u>12,721,734</u>	<u>12,292,347</u>
	<u>\$ 16,543,346</u>	<u>\$ 16,881,015</u>
Contingencies (Note 6)		

On behalf of the Board:

Fred Milley  
Chairman

David J. Fox, P. Eng.  
Port Manager and Chief Executive Officer



## Statement of Income and Surplus

year ended December 31, 1989	1989	1988
Revenue from operations	\$ 3,026,807	\$ 2,707,306
Operating and administrative expenses	1,637,620	1,718,025
Depreciation	781,964	747,357
Grants in lieu of municipal taxes	39,124	57,711
	2,458,708	2,523,093
Income from operations	568,099	184,213
Investment income	182,182	135,778
Interest expense	(320,894)	(259,468)
Net income	429,387	60,523
Surplus, beginning of year	2,160,711	2,100,188
Surplus, end of year	\$ 2,590,098	\$ 2,160,711

## Statement of Changes in Financial Position

year ended December 31, 1989	1989	1988
Cash provided from (used for):		
Operating activities		
Net income	\$ 429,387	\$ 60,523
Depreciation	781,964	747,357
Other non-cash items	(15,833)	5,199
	1,195,518	813,079
Changes in		
Accounts receivable	(9,593)	(76,961)
Due from Canada	(75,095)	-
Accounts payable and accrued liabilities	(526,343)	281,604
Grants in lieu of municipal taxes	(46,800)	57,711
Deferred revenues	22,542	22,913
Current portion of loans from Canada	19,414	75,786
	579,643	1,174,132
Financing activities		
Capital grants	2,075,095	-
Loans from Canada	(220,036)	799,378
	1,855,059	799,378
Investing activities		
Proceeds on disposals of fixed assets	-	20,283
Purchase of fixed assets	(3,077,986)	(984,699)
	(3,077,986)	(964,416)
Net cash provided (used)	(643,284)	1,009,094
Cash and short term investments, beginning of year	1,956,236	947,142
Cash and short term investments, end of year	\$ 1,312,952	\$ 1,956,236



## Notes to Financial Statements

year ended December 31, 1989

1.

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of St. John's to the St. John's Port Corporation.

## 2. Significant Accounting Policies

### (a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

### (b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan

are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

### (d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

### (e) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

## 3. Investments

	1989		1988	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short term	\$ 1,311,118	\$ 1,324,100	\$ 1,920,228	\$ 1,935,300

## 4. Fixed Assets

	Depreciation Rates	Cost	Accumulated Depreciation	1989	1988
				Net Book Value	Net Book Value
Land	—	\$ 4,643,700	\$ —	\$ 4,643,700	\$ 4,643,700
Berthing structures	2.5-10%	9,503,251	5,617,031	3,886,220	2,765,708
Buildings	2.5-10%	1,912,791	1,272,669	640,122	390,633
Utilities	3.3-10%	3,123,735	817,740	2,305,995	2,448,376
Roads and surfaces	2.5-10%	4,173,992	1,231,374	2,942,618	3,277,339
Machinery and equipment	5-100%	296,413	93,643	202,770	144,816
Office furniture and equipment	20%	202,606	142,431	60,175	45,706
Projects under construction	—	102,922	—	102,922	847,317
		\$ 23,959,410	\$ 9,174,888	\$ 14,784,522	\$ 14,563,595



## 5. Loans from Canada

	1989	1988
Term loans, bearing interest at 9.33% to 10.015%, maturing between 1997 and 2000, repayable in equal annual instalments of principal and interest of \$521,516.	\$ 3,132,162	\$ 3,332,784
Principal instalments payable within one year	220,036	200,622
	\$ 2,912,126	\$ 3,132,162

The loans from Canada are unsecured.

Annual principal repayments in each of the next five years are as follows:  
1990 — \$220,036; 1991 — \$241,331; 1992 — \$264,689;  
1993 — \$290,309; 1994 — \$318,412.

## 6. Contingent Liabilities

Claims aggregating approximately \$364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation.

The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

## 7. Related Party Transactions

a) During the year the Corporation received approval of a capital grant in the amount of \$3,400,000 from the federal government. Of this amount, \$2,075,095 was received during the year, and the remaining funds will be advanced to the Corporation over the years 1990 and 1991.

b) During the year the Corporation paid \$193,008 (1988 — \$201,875) to Canada Ports Corporation as its share of that Corporation's head office expense.

## Board of Directors

**Fred Milley \*/\*\***  
Chairman  
St. John's, Nfld.

**Faith Good \*/\*\***  
Vice-Chairman  
St. John's, Nfld.

**Tom Osborne °**  
Owner  
Tom Osborne Real Estate  
St. John's, Nfld.

**Paul Reynolds °**  
Training Supervisor, Motorist Sales  
Ultramar Canada Inc.  
St. John's, Nfld.

**Michael Walsh \*\***  
General Chairman  
Transportation Communication International  
Union (Retired)  
St. John's, Nfld.

**Dermot Dobbins \*/\*\***  
President  
BRADCO  
St. John's, Nfld.

**Art Puddister °**  
Manager  
Puddister Trading Co.  
St. John's, Nfld.

\* Executive Committee

\*\* Executive / Compensation Committee

° Audit Committee

## Officers of the Corporation

**Fred Milley**  
Chairman  
**Faith Good**  
Vice-Chairman  
**David J. Fox**  
Port Manager and Chief Executive Officer

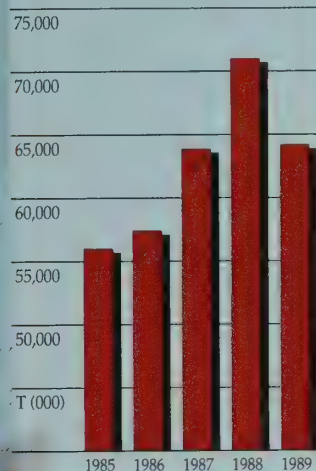
**Brian Scott**  
Manager, Finance and Administration  
**Keith F. Rose**  
Corporate Secretary



# Vancouver Port Corporation



Total Traffic

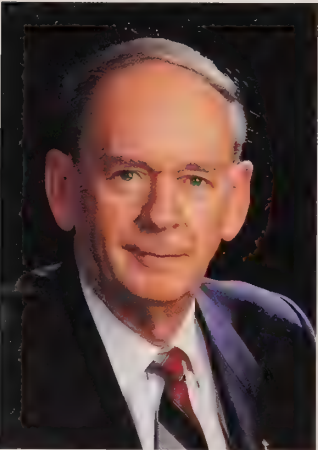




## Joint Message from the Chairman of the Board and the Port Manager and Chief Executive Officer



Captain Hector D. Perry



Francis J. MacNaughton

**1**989 marked the 125th Anniversary of the Port of Vancouver. It was also a year of dramatic expansion in the business focus of the Vancouver Port Corporation (VPC).

Changing standards relative to the environment and public consultation attained equal prominence with the more traditional priorities of operations and throughput in VPC's managing strategies.

Western Canada's resource-based economy continued to strengthen, translating into solid export commodity sales. However, Prairie drought and an unexpected pricing dispute in a single commodity contributed to a decline in total port throughput, from 1988's record of 71.3 million tonnes to 64 million tonnes.

The port's grain business posted losses of 26 percent over 1988, while a pricing dispute between India and Morocco resulted in Alberta sulphur plummeting 31 percent. Other resource exports, notably coal and forest products held steady.

The port's cruise and container sectors did well, with the latter steadily improving in the final quarter to close at 305,688 TEU's; down only marginally from last year.

VPC's financial performance in 1989 was strong. The Corporation generated a 1.2 percent increase in operating revenues reflecting increased revenue from tariffs and property rentals. Net income for 1989 (\$28.4 million) contrasts with 1988's figure of \$38.1 million which included a gain of \$10 million on a single land sale.

VPC drew on its good financial showing to invest \$19.7 million in capital improvements including the installation of two new container cranes, rehabilitation of a grain pier and construction of a specialized forest products storage shed.

Simultaneously VPC moved forward with formalized Land Use/Land Management Planning. In this context, and in common with industry worldwide, Canada's largest port is encountering public demand for "sustainable development" and a greater say in enterprises which may affect quality of life. For VPC, the challenge will be to meet these emerging local expectations while still meeting its national trade/transport obligations to all of Canada.

VPC has launched response strategies in this area with the formation of a Port Municipal Liaison Committee comprising our eight neighbouring municipalities.

In another manifestation of public process, VPC sought community input to its Marine Recreational Resource Use Study through a series of "Open House" meetings in the late fall.

Driving these initiatives by the Vancouver Port Corporation is the accelerating evolution of business realities for major seaports. Short and long term land management is identified as crucial to the port's ability to meet its national mandate – and to grow into the new century. Urban encroachment, subjective environmental expectations and diverse agendas of non-port jurisdictions will profoundly affect the levels of achievement possible for the Port of Vancouver over the next decade. Indeed, the competitive efficiencies of Canada's trade/transport resources themselves may well be predicated on precisely these issues.

In 1989, VPC and the port community shared the pride and accomplishments of 125 years as Canada's largest port. Special events ranged from an award-winning "Commemorative Issue" of Port News to a gala 850-person "Anniversary Dinner" co-hosted by VPC and the local marine industry.

VPC's Board and management especially recognizes the skills, loyalty and productive efforts of the Corporation's staff as the driving force behind the year's performance.

Of particular note was the achievement of an internally-negotiated 3-year Collective Agreement between VPC and its office and maintenance workers represented by Local 517 of the International Longshoremen's and Warehousemen's Union (ILWU).

Entering a new decade, VPC welcomes the challenge of change, confident that the Corporation possesses the abilities — and the attitudes — to achieve its full potential for Canada and Canadians.

Captain Hector D. Perry  
Chairman of the Board

Francis J. MacNaughton  
Port Manager and Chief Executive Officer



## Auditors' Report

To the Honourable  
Doug Lewis, P.C., M.P.  
Minister of Transport

We have examined the balance sheet of Vancouver Port Corporation as at December 31, 1989 and the statements of income and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations and the charter and by-laws of the Corporation.

*Paul Marmick Thorne*

Chartered Accountants

Vancouver, British Columbia  
February 23, 1990

## Balance Sheet as at December 31, 1989

(in thousands of dollars)

Assets	1989	1988
Current Assets		
Cash	\$ 272	\$ 849
Investments (note 1)	89,796	87,218
Accounts receivable	6,894	8,644
Materials and supplies	417	363
	97,379	97,074
Long-Term Receivables (note 2)	6,702	7,120
Property and Equipment (note 3)	199,283	187,492
	\$ 303,364	\$ 291,686
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,533	\$ 10,598
Grants in lieu of municipal taxes	3,823	6,316
Deferred revenues	2,403	2,326
	10,759	19,240
Accrued Employee Benefits	1,271	1,164
Loan from Canada (note 4)	3,504	3,734
	15,534	24,138
Equity of Canada		
Contributed capital	88,273	88,273
Retained earnings	199,557	179,275
	287,830	267,548
	\$ 303,364	\$ 291,686
Commitments and Contingency (note 5)		

On behalf of the Board:

*Hector D. Perry*

Captain Hector D. Perry  
Chairman

*Colin B. Warner*

Colin B. Warner  
Director



## Statement of Income and Retained Earnings

(in thousands of dollars)

year ended December 31, 1989	1989	1988
Operating revenue	\$ 52,390	\$ 51,780
Expenses		
Operating and administrative expenses	20,823	19,441
Grants in lieu of municipal taxes	5,461	4,423
Depreciation	7,273	6,442
	33,557	30,306
Income from operations	18,833	21,474
Investment income	9,820	6,952
Interest expense	(296)	(343)
	9,524	6,609
Income before unusual item	28,357	28,083
Unusual item		
Gain on sale of land	-	10,000
Net income	28,357	38,083
Retained earnings at beginning of year	179,275	147,204
	207,632	185,287
Dividend payment to Canada	(8,075)	(6,012)
Retained earnings at end of year	\$ 199,557	\$ 179,275

## Statement of Changes in Cash Resources

(in thousands of dollars)

year ended December 31, 1989	1989	1988
Cash provided by (used for):		
Operations		
Net income	\$ 28,357	\$ 38,083
Items not involving cash		
Depreciation	7,273	6,442
Gain on sale of land	-	(10,000)
Other	730	479
Changes in non-cash operating working capital	(6,784)	6,513
	29,576	41,517
Financing		
Loan from Canada currently payable	(230)	(215)
Dividend payment to Canada	(8,075)	(6,012)
	(8,305)	(6,227)
Investments		
Additions to property and equipment	(19,704)	(12,746)
Proceeds on sale of land	-	10,000
Other	434	478
	(19,270)	(2,268)
Increase in cash resources	2,001	33,022
Cash resources at beginning of year	88,067	55,045
Cash resources at end of year	\$ 90,068	\$ 88,067

Cash resources are defined to include cash  
and investments.



## Notes to Financial Statements

year ended December 31, 1989

### General

The Vancouver Port Corporation was established effective July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act* and is a parent Crown corporation named in Schedule III, Part II of the *Financial Administration Act*. The Corporation is exempt from income taxes.

The objectives of the Corporation are to manage and administer the harbour of Vancouver as an effective instrument in support of the national ports policy as set out in the *Canada Ports Corporation Act*.

### Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

#### (a) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

#### (b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

#### (c) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

#### (d) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

### 1. Investments

Current investments are in government of Canada treasury bills and at December 31, 1989 and 1988 the market value of the treasury bills approximated carrying value.

### 2. Long-Term Receivable

	(in thousands of dollars)	
	1989	1988
Non-interest-bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	\$ 3,947	\$ 3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6-5/8% per annum, payable in blended annual instalments of \$462,916, maturing December 31, 1996	2,528	2,805
Less current portion	(296)	(277)
	2,232	2,528
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5-3/4% per annum, payable in annual instal- ments of \$117,720 plus interest, maturing August 1, 1994	589	706
Less current portion	(118)	(117)
	471	589
Other	52	56
	\$ 6,702	\$ 7,120



### 3. Property and Equipment

		(in thousands of dollars)			
		1989		1988	
	Cost	Accumulated Depreciation	Net		Net
Land	\$ 77,124	\$ —	\$ 77,124	\$	76,403
Dredging	366	201	165		176
Berthing structures	53,634	25,521	28,113		27,219
Buildings	43,133	10,691	32,442		33,473
Utilities	14,492	6,314	8,178		7,910
Roads and surfaces	32,483	18,738	13,745		13,596
Machinery and equipment	39,850	12,235	27,615		15,984
Office furniture and equipment	2,776	1,624	1,152		1,373
Projects under construction	10,749	—	10,749		11,358
	\$ 274,607	\$ 75,324	\$ 199,283	\$	187,492

### 4. Loan from Canada

		(in thousands of dollars)			
		1989		1988	
Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000		\$	3,734	\$	3,949
Less current portion			(230)		(215)
		\$	3,504	\$	3,734
Principal repayment requirements over the next five years are as follows:					
	1990	1991	1992	1993	1994
	\$ 230,000	\$ 248,000	\$ 266,000	\$ 286,000	\$ 308,000
					\$ 1,338,000

### 5. Commitments and Contingency

a) Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1989 are estimated at \$8,285,000.

b) At December 31, 1989, the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$8.0 million greater than the amount accrued in the financial statements.

c) There are claims against the Corporation for \$8.6 million plus unspecified damages. The likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for as a prior adjustment when known.

### 6. Related Party Transactions

In addition to the loan from Canada disclosed in note 4, the Corporation paid \$1,701,000 (1988, \$1,779,000) to Canada

Ports Corporation as its share of that Corporation's operating expenses.

### Board of Directors

**Captain Hector D. Perry** °  
Chairman  
Ganges, B.C.

**Jane E. Frost** \*\*/°/°°  
Vice-Chairman  
Vancouver, B.C.

**Laurie G. Maranda** \*/\*\*/°°  
Vice President  
Choukalos, Woodburn, McKenzie, Maranda Ltd.,  
Consulting Engineers  
Vancouver, B.C.

**Richard I. Nelson** \*/°  
Vancouver, B.C.

**Gary C.H. Short** \*\*  
Vancouver, B.C.

**Rodney A. Snow** °/°°  
Barrister and Solicitor  
Davis & Co.  
Vancouver, B.C.

**Colin B. Warner** \*  
Senior Vice President  
Finance and Distribution  
Weldwood of Canada Limited  
Vancouver, B.C.

\* Member, Audit Committee

\*\* Member, Planning and Budget Committee

° Member, Executive Committee

°° Member, Economic Development and Community Relations Committee

### Officers of the Corporation

**Captain Hector D. Perry**  
Chairman

**Francis J. MacNaughton**  
Port Manager and Chief Executive Officer

**Captain Norman C. Stark**  
Deputy Port Manager and Chief Operating Officer

**Donald G. Buggie**  
Assistant Port Manager, Administration

**Thomas A. Shortridge**  
Assistant Port Manager, Port Services

**Robin B.L. Kimpton**  
Corporate Secretary



# Corporate Directory

## Board of Directors

**The Honourable A.R. Huntington**  
Chairman  
Ottawa, Ont.

**William Marsh**  
Vice-Chairman  
Sydney, N.S.

**Jean Michel Tessier**  
President and Chief Executive Officer  
Canada Ports Corporation  
Ottawa, Ont.

**Dr. John Balkwill**  
Kanata, Ont.

**Robert Dowling**  
President, Cavell Drugs Ltd.  
Jasper, Alta.

**André Gingras**  
Chairman, Montréal Port Corporation  
Montréal, Que.

**Brian Keple**  
Cobble Hill, B.C.

**Richard K. Lester**  
Vancouver, B.C.

**A.R. "Sandy" MacLean**  
Principal  
Dalhousie Regional High School  
Dalhousie, N.B.

**C. Peter MacLean**  
Vice President  
J.W. MacDonald & Company Ltd.  
New Glasgow, N.S.

**Arnold E. Masters**  
Nun's Island, Que.

**Donald A. Parker**  
Chairman  
Halifax Port Corporation  
Halifax, N.S.

**Captain H.D. Perry**  
Chairman  
Vancouver Port Corporation  
Ganges, B.C.

**James B. Powers**  
President and General Manager  
Labrador Construction Co. Ltd.  
St. John's, Nfld.

**Jean Riou**  
Lawyer  
Jolin, Fournier, Morisset  
Sainte-Foy, Que.

**Wallace S. Turnbull, Q.C.**  
Partner  
Clark, Drummie & Company  
Saint John, N.B.

**Robert H. Vandewater**  
Vice President and Sr. Account Executive  
Wood Gundy Inc.  
Winnipeg, Man.

## Officers of the Corporation

**The Honourable A.R. Huntington**  
Chairman

**William Marsh**  
Vice-Chairman

**Jean Michel Tessier**  
President and Chief Executive Officer

**Hassan J. Ansary**  
Executive Vice President

**Robert W. Tytaneck\***  
Vice President, Finance and Administration

**Christos Sampson**  
Director General, Police and Security

**Warren D. McCrimmon**  
Vice-President, Legal/Realty  
Corporate Secretary

**Theophile Lauzon**  
Senior Port Manager

\* effective January 15, 1990

## Executive Committee

Chairman	The Honourable A.R. Huntington
Vice-Chairman	William Marsh
Members	Dr. John Balkwill Arnold E. Masters Captain H.D. Perry Jean Michel Tessier Wallace S. Turnbull Robert H. Vandewater

## Audit Committee

Chairman	Robert H. Vandewater
Members	Robert Dowling A.R. "Sandy" MacLean C. Peter MacLean James B. Powers

## Corporate Planning and Budget Committee

Chairman	James B. Powers
Members	Robert Dowling Richard K. Lester Arnold E. Masters Jean Riou Wallace S. Turnbull

## Police Committee

Chairman	Brian Keple
Members	D. Cassidy (Member at large) Robert Dowling The Honourable K.A. Flanigan (Member at large) The Honourable A.R. Huntington Donald A. Parker Jean Michel Tessier



## Mailing Addresses

### Canada Ports Corporation

**Port of Belledune**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Ports of Chicoutimi/  
Baie des Ha! Ha!**  
Lafontaine Street  
P.O. Box 760  
Chicoutimi, Que.  
G7H 5E1  
Tel.: (418) 543-0263

**Port of Churchill**  
P.O. Box 217  
Churchill, Man.  
R0B 0E0  
Tel.: (204) 675-8823

**Port Colborne**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Port of Prescott**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Port of Sept-Îles**  
421 Arnaud Street  
Sept-Îles, Que.  
G4R 3B3  
Tel.: (418) 968-1231

**Port of Trois-Rivières**  
1545 du Fleuve Street  
P.O. Box 999  
Trois-Rivières, Que.  
G9A 5K2  
Tel.: (819) 378-3939

**National Office**  
99 Metcalfe Street  
Ottawa, Ontario  
K1A 0N6  
Tel.: (613) 957-6787

### Local Port Corporations

**Halifax Port Corporation**  
Ocean Terminals  
P.O. Box 336  
Halifax, N.S.  
B3J 2P6  
Tel.: (902) 426-3643

**Montréal Port Corporation**  
Port of Montréal Building  
Cité du Havre, Wing No. 1  
Montréal, Que.  
H3C 3R5  
Tel.: (514) 283-7042

**Prince Rupert Port  
Corporation**  
110-3rd Avenue W.  
Prince Rupert, B.C.  
V8J 1K8  
Tel.: (604) 627-7545

**Port of Québec Corporation**  
150 Dalhousie Street  
P.O. Box 2268  
Québec, Que.  
G1K 7P7  
Tel.: (418) 648-3558

**Saint John Port Corporation**  
133 Prince William Street  
P.O. Box 6429, Stn. A  
Saint John, N.B.  
E2L 4R8  
Tel.: (506) 648-4869

**St. John's Port Corporation**  
3 Water Street  
P.O. Box 6178  
St. John's, Nfld.  
A1C 5X8  
Tel.: (709) 772-4582

**Vancouver Port Corporation**  
1900-200 Granville Street  
Vancouver, B.C.  
V6C 2P9  
Tel.: (604) 666-8978

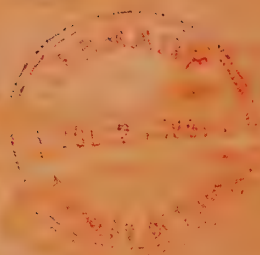
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Publications



# Ports Canada

1990 ANNUAL REPORT





## Ports Canada Profile

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Chicoutimi/Baie des Ha! Ha!, Churchill, Port Colborne, Prescott, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.

National Office of the Canada Ports Corporation is located in Ottawa.

*Pour recevoir ce rapport en français, prière de s'adresser à Ports Canada, Services de la Société, 99, rue Metcalfe, Ottawa (Ontario) K1A 0N6.*



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## Ports Canada Perspective

**T**otal port traffic refers to cargo handled through terminals administered by Ports Canada, as well as traffic through private facilities within the jurisdiction of the port. In 1990, Ports Canada ports handled 180.6 million tonnes, a 3.7 percent increase over the volume reported a year earlier. Of this total, 151.2 million tonnes, or 84 percent, were handled collectively by the seven local port corporations and 29.4 million tonnes, or 16 percent, by the Canada Ports Corporation. The major reason for this increase has been the return of grain exports to levels Canada has been more accustomed to in recent years. While coal was down slightly from last year, the movement of petroleum products reached 46.3 million tonnes, up by 7 percent over 1989.

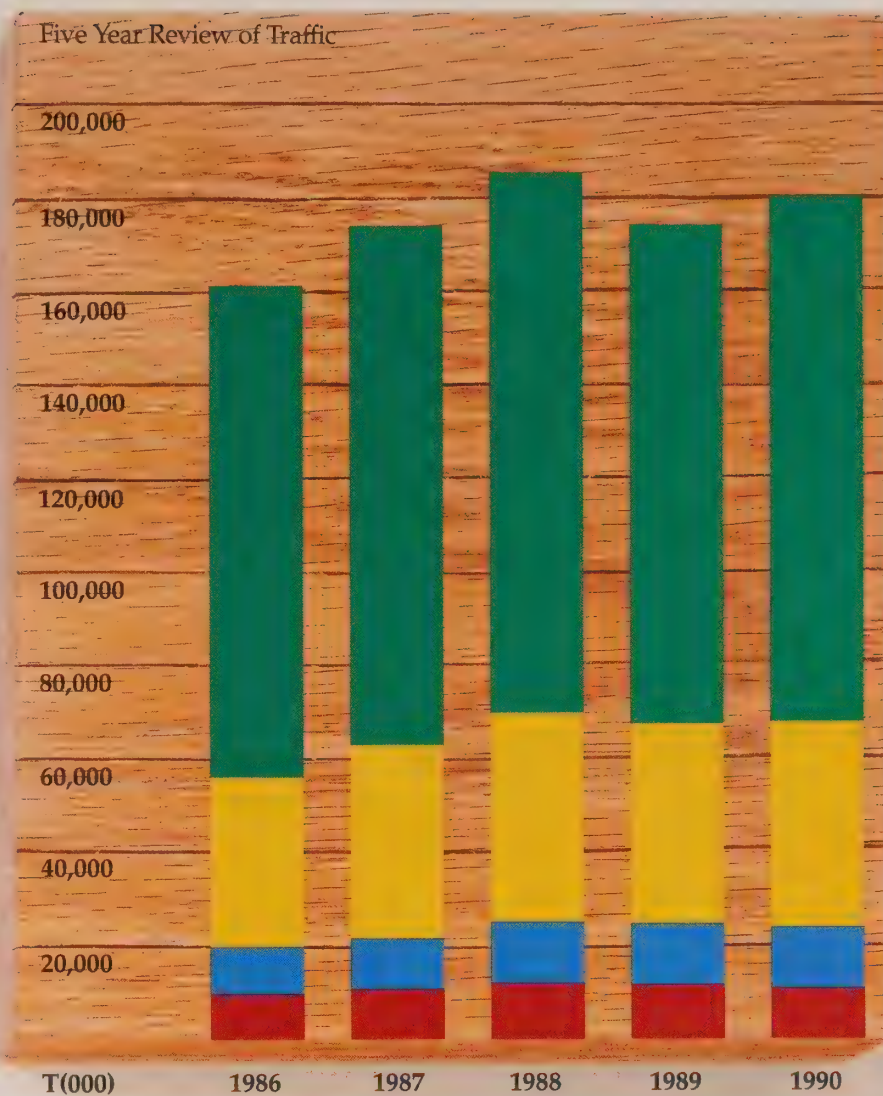
Total tonnage handled through Ports Canada berths in 1990 was 79.2 million tonnes, up 4 percent from the 76.1 million tonnes recorded in 1989. The seven local port corporations handled 75.1 million tonnes, an increase of 3 percent from the 72.6 million tonnes handled the previous year. Total tonnage through Canada Ports Corporation facilities in 1990 was 4 million tonnes, a jump of 14 percent from the 3.5 million tonnes in 1989.

Total grain shipments handled across the Ports Canada system rebounded in 1990 to 25 million tonnes, an increase of 32 percent over the 19 million tonnes reported a year earlier. All the major grain ports including Québec, Montréal, Vancouver and Prince Rupert experienced healthy gains.

Coal shipments were down slightly, by 2.3 percent, to 30.5 million tonnes from 31.2 million tonnes reported in 1989.

A record 12.9 million tonnes of containerized cargo, or 1.4 million TEUs (twenty-foot equivalent units) were handled through Ports Canada facilities, an increase over the 12.4 million tonnes handled in 1989. The ports of Montréal and Halifax both set records in 1990 handling 5.8 and 3.9 million tonnes, respectively, while the Port of Vancouver increased its traffic to 2.7 million tonnes, almost breaking the record set in 1988. And for the fourth year in a row, the Port of St. John's established another record by handling 400,000 tonnes of domestic containerized cargo.

Non-containerized general cargo continued to decline, dropping by 5.7 percent to 11.2 million tonnes in 1990.





## Ports Canada Financial Review

**R**evenues from operations for Ports Canada reached \$180 million in 1990, its highest level in history. Traffic volumes were up at most of the Ports Canada ports, most noticeably at Vancouver, Québec and Montréal. The volume of grain handled across the Ports Canada system rebounded from the slump brought on by the 1988-1989 drought. Total grain tonnage amounted to 25 million tonnes in 1990 compared to 19 million tonnes in 1989. A significant gain was also recorded in the volume of liquid bulk handled by the system. Liquid bulk climbed to 46 million tonnes in 1990, up 3 million tonnes from 1989.

Operating expenses of \$155 million reflect an increase of 4.9 percent. Operating income of \$25 million was recorded for 1990 while funds from operations, being operating income before depreciation, were \$55 million. Other income, which was primarily investment income, amounted to \$25 million in 1990. Funds generated by operations and investments provide a needed source of financing for future capital projects required to enable the ports to remain competitive and effective.

The net income for Ports Canada was \$50 million in 1990, up slightly from 1989. In 1990 Ports Canada declared and paid dividends of \$12 million based on the 1989 financial results. The Federal Government has also requested that Canada Ports Corporation and the local port corporations make a contribution of \$100 million towards the federal deficit reduction.

In 1989, the Federal Government provided a grant of approximately \$27 million to establish the Interport Loan Fund (the Fund). This grant was equivalent to the 1988 and 1989 dividend payments of some Ports Canada corporations, plus accrued interest. The Fund, which is administered by Canada Ports Corporation, provides an alternative source of financing for financially viable capital projects of the Ports Canada system. In 1990 borrowings from the Fund were arranged to finance the construction of a coal terminal at the Port of Belledune.

During the year, Ports Canada invested \$81 million in capital improvements. Of this amount, \$57 million was provided by internally generated funds. Further expansion and upgrading of port facilities at Montréal, Québec, Vancouver and Sept-Îles comprised the major capital works in 1990. Grants received from the Federal Government of \$11 million were primarily for the construction of handling and storage facilities as part of the Alouette project at the Port of Sept-Îles.

## Ports Canada Five Year Financial Review

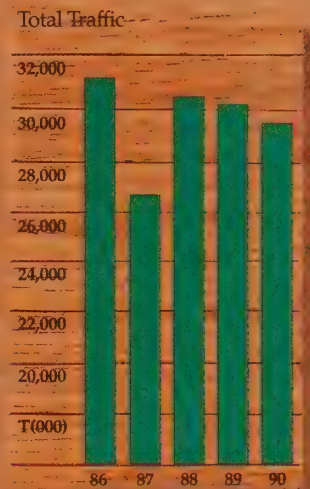
(in millions except for average number of employees and ratios)

	1990	1989	1988	1987	1986
<b>Financial results</b>					
Revenue from operations	\$ 179.9	\$ 169.9	\$ 169.5	\$ 169.9	\$ 159.9
Operating expenses	155.0	147.5	140.9	140.0	138.1
Operating income	24.9	22.3	28.6	29.9	21.8
Other income - net	25.0	24.9	20.9	16.0	18.9
Net income before RTI*	50.1	48.7	62.9	46.1	42.1
Cash provided by operating activities	102.7	59.1	96.2	69.3	58.1
<b>Financial position at year end</b>					
Working capital	\$ 104.6	\$ 179.7	\$ 183.0	\$ 148.6	\$ 114.2
Fixed assets - at cost	1,186.3	1,124.2	1,056.9	1,015.4	990.1
Total assets	1,022.4	1,004.5	960.4	895.5	863.5
Equity of Canada	756.3	817.9	785.5	737.4	227.8
Capital expenditures	\$ 81.3	\$ 77.6	\$ 49.7	\$ 33.8	\$ 50.2
<b>Federal capital financing</b>					
Grants	\$ 11.1	\$ 4.8	\$ 2.8	\$ 2.1	\$ 13.5
Loans	12.8	4.5	1.0	1.0	4.1
<b>Employees</b>					
Average number of employees	1,194	1,208	1,291	1,344	1,452
<b>Ratios</b>					
Operating revenue/tonne	\$ 1.00	\$ 0.98	\$ 0.91	\$ 0.98	\$ 0.99
Tonnes/employee	151,284	144,170	144,711	129,455	110,840
Cash from operating activities/total assets	10.0%	6.0%	10.0%	7.7%	6.7%

\* Ridley Terminals Inc.



# Canada Ports Corporation





## Message from the Chairman of the Board



**T**he year 1990 was a good year for the Ports Canada system.

The flow of wheat has recovered from the 1989 slump. Container traffic has held relatively steady, although we continue to have concern for the potential slippage of Canadian inbound and outbound traffic through US routings and ports.

With the exception of Ridley Terminals Inc. at Prince Rupert, the bulk terminals at our ports continue to enjoy good volumes of exports.

The capital programs in the divisional ports of Sept-Îles and Belledune are progressing on time and within budget, to the credit of our management and engineering staff.

Late in the year we were advised by Lauralco that they had selected the divisional Port of Trois-Rivières for the receiving of alumina and coke for their smelter at Deschambault, Quebec. Again, the CPC Board has had reason to be pleased with the performance of management and engineering staff as the negotiations for this new infrastructure draw to a conclusion.

During 1990, the CPC Board Committee on Container Competitiveness under the chairmanship of director Arnold Masters, completed an extensive series of hearings and consultations with industry, in an attempt to understand the competitiveness of Canadian ports and routings in the North American transportation economy. In concert with local port corporations, the Committee has worked on a report examining the ship, port and inland operations of container transportation in order to identify factors of competitiveness and propose corrections or solutions where needed. This work has been largely completed and will result in a report to the Minister of Transport early in 1991, proposing that the transportation entities involved in container movement within Canada be harmonized into an inland system that will offer pier-to-door, door-to-pier, and pier-to-pier through-bill-of-lading service.

It is our plan that this report will tie into the work of the Board's Electronic Data Interchange Committee (EDI) under the chairmanship of director John Balkwill, and that it will propose the implementation of a state-of-the-art EDI network to serve transportation in Canada.

During the preceding year, the Ports Canada system had reached a consensus on a revised delegation of authority. We are pleased and grateful that this initiative has been seized by the Minister of Transport and that efforts continue at the departmental and ministerial level toward new delegated operating authorities for the system, a revision of by-laws and also amendments to the *Canada Ports Corporation Act* which we pray will be in place within the year 1991.

The CPC Board is pleased with the vigorous and healthy progress achieved during the past year by staff and dedicated members of the Board's working committees.

We are grateful for the interest and attention that the Minister of Transport, the Honourable Doug Lewis, and his staff have given to the issues and affairs of the Ports Canada system.

**The Honourable A.R. Huntington**



## Message from the President and Chief Executive Officer



**F**or the Canada Ports Corporation, 1990 was a milestone filled with many accomplishments, some of them on a grand scale. The Corporation has made a commitment to invest over one hundred million dollars in major port development projects across Canada.

Following an historical agreement between the Corporation and Aluminerie Alouette Inc., construction began on a multi-million dollar aluminum plant in Sept-Îles, Quebec. The project will bear many economic spin-off benefits for the local community and for Canada as a whole. The significant input and participation by the Corporation has been a most challenging but rewarding joint venture experience.

The aluminum industry brought welcome news to another port as well. Lauralco of Atlanta, Georgia, announced the selection of the Port of Trois-Rivières for the transshipment of alumina for its new Deschambault, Quebec, plant. This development will enable the port to utilize one-third of a grain elevator facility which has suffered from reduced grain traffic.

Another mega-project marked the Corporation's landscape in New Brunswick as well. Following an agreement with the New Brunswick Power Commission, a major extension of the Port of Belledune was initiated to supply the new coal-fired method of thermal power generation. A new wharf and material-handling capacity will increase the port's throughput by 1.25 million tonnes per annum.

The Port of Chicoutimi, located in the Saguenay region of Quebec, will be next. Reflecting its broader geographic base, the port has completed a comprehensive development plan for the future. Awaiting the clarification of financing sources, the plan calls for a major expansion at the port to accommodate emerging demand and relieve current congestion.

A change in the operator of the Port of Prescott elevator to Goderich Elevators will ensure continued grain handling at the port, while a long-term strategy is being put in place to identify new business opportunities. The Corporation is hoping that the business relationship fostered at Port Colborne with Goderich Elevators will be mutually beneficial at the Port of Prescott as well.

The Corporation's efforts to seek enhanced delegation of authority received a healthy boost by the Minister of Transport, the Honourable Doug Lewis, who lent his unequivocal support to this initiative. The Corporation is now working rigorously to comply with the Minister's intention to place this matter on the government's legislative agenda as soon as possible.

A major review of Ports Canada's competitiveness in the intermodal field, launched during the year, sparked industry-wide enthusiasm. The findings of our Container Competitiveness Committee, soon to be tabled, will toll alarm bells in the corridors of industry participants from coast to coast, and will call for decisive measures by those intent on preserving this country's national transportation system.

On the operation side, we furthered our progress in the integration of computer facilities into our daily work with the introduction of electronic mail throughout the port system. The efforts of Ports Canada's Information Technology Committee, and Systems Steering Committee will go a long way in making electronic data interchange (EDI) a reality within the system. We can take pride in our knowledge and progress in this field.

In response to the environmental concerns shared by all Canadians, Canada Ports Corporation has taken a leading role in ensuring that Ports Canada ports adhere to sound environmental practices. Guidelines developed and approved will require that port development projects are assessed consistent with rigorous environmental criteria which meet the demands of government and official monitoring agencies.

In accordance with our statutory obligation, it is once again a pleasure for us to inform the Corporation's Board of Directors, and the shareholder, the Government of Canada, that the Corporation made measurable progress during 1990 in achieving its objectives; and that the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

I would like to extend my gratitude to a supportive Chairman and Board of Directors, and to a motivated staff, for their contributions and endless efforts and dedication in making our successes possible. I would also like to acknowledge the support and cooperation of local port corporations and divisional ports, as well as the positive relationship we share with our other private and public sector partners. While many exciting new challenges lie ahead, we all have good reason to feel proud of our accomplishments to date.

Jean Michel Tessier



## Canada Ports Corporation

**C**anada Ports Corporation is comprised of seven non-corporate ports, referred to as divisional ports. They are located in Belledune, New Brunswick; Chicoutimi/Baie des Ha! Ha!, Sept-Îles, Trois-Rivières, Quebec; Port Colborne, Prescott, Ontario; and Churchill, Manitoba. Divisional ports play a key role in their respective local and regional economies. Local industries are dependent on facilities provided by these ports and are often the primary link to both national and international markets.

Dry bulk handled at the divisional ports includes grain, salt, various mineral ores and coal. Liquid bulk is made up primarily of petroleum products while forest products are examples of general cargo handled at some of these ports.

Divisional ports are an integral part of the total Ports Canada system. While their sphere of influence is often more regional than national, the overall economic and social health of the community is clearly linked to the port.

### Traffic Review

In 1990, divisional ports handled a total of 29.5 million tonnes of cargo, a slight decrease from the 30.2 million tonnes recorded in 1989. This total represents 16 percent of the total traffic handled by Ports Canada ports. Of this amount, 4 million tonnes, or 14 percent, were handled at berthing facilities owned by the Canada Ports Corporation.

Grain shipments were up 29 percent from 1.4 million tonnes to 1.8 million tonnes. The Port of Churchill handled an additional 100,000 tonnes of grain, a gain of 33 percent over 1989, while the Port of Trois-Rivières increased its throughput from 825,000 tonnes to 1.1 million tonnes.

Coal handled primarily by the Port of Sept-Îles was down 41 percent from one million tonnes to 586,000 tonnes. Liquid bulk remained unchanged at 1.4 million tonnes, with the Port of Sept-Îles experiencing an 8 percent increase from 395,000 to 427,000 tonnes, while the Port of Trois Rivières's share decreased from 454,000 to 365,000 tonnes.

### Financial Overview

Overall port financial performance reflects the volume and mix of cargo handled. Total traffic decreased slightly this year, and the decline has had a negative impact on operating results.

*Revenue from Operations:* Operating revenue for 1990 was \$10.6 million, up 10 percent from the 1989 level of \$9.6 million. This increase reflects the continued recovery of grain shipments from the extremely-low level reached in 1988.

*Operating Expense:* Operating expense increased by \$1.5 million, or 12 percent, to \$13.6 million in 1990 from \$12.2 million in 1989. This includes provision for depreciation of \$3 million compared with \$2.7 million in 1989.

*Loss from Operations:* Loss from operations amounted to \$3.0 million in 1990, compared to \$2.6 million in 1989.

*Investment Income:* Investment income, net of interest expense, was \$5.4 million, up marginally by \$147,000, or 3 percent, from 1989.

*Net Income:* Unlike 1989, when the share in the loss of Ridley Terminals Inc. caused a \$3.1 million negative adjustment, and a revision to grants-in-lieu of taxes caused a \$1.2 million positive adjustment, net income in 1990 was unaffected by extraordinary items. Net income for 1990 was \$2.4 million, compared to \$764,000 the year before.

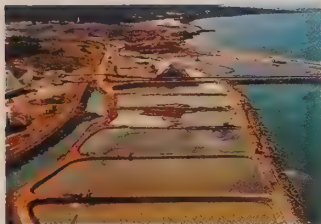
*Dividend:* The Corporation paid a dividend to the Government of Canada of \$227,000 in 1990, compared to \$74,000 in 1989.

*Contributed Capital:* Contributed capital decreased \$20.44 million from 1989 to 1990 due to the return of this amount at the request of Canada, as part of the federal deficit reduction effort. Half of this amount, \$10.22 million, was paid in 1990 and the other half is due in 1991.

*Interport Loan Fund:* The Fund was established in 1989 with an initial contribution of \$26.7 million by the Government of Canada. Its purpose is to provide financing for financially viable capital projects of the Ports Canada ports. The balance of the Fund grew from \$28.6 million at the end of 1989 to \$32.1 million at the end of 1990 through accumulated interest on fund transfers to the Port of Belledune and on investments in securities of Canada.

*Capital Investments:* The Corporation spent \$17.5 million on additions to fixed assets in 1990, compared to \$4.7 million in 1989. During 1990, the Corporation received \$9.7 million in capital grants from the Government of Canada mainly for the Alouette project in Sept-Îles.

*Principal Operations:* The principal operations of the Canada Ports Corporation are defined by the activities of divisional ports and National Office.



Port of Belledune

## Port of Belledune

The Port of Belledune, located on the south shore of the *Baie des Chaleurs* in northeastern New Brunswick, is a bulk-handling facility used primarily by Brunswick Mining and Smelting. The company imports phosphate rock to be processed into fertilizer. The port's single berth facility, 167 meters in length and connected to the shore by a 7.5 meter roadway, can handle 35,000 DWT vessels.

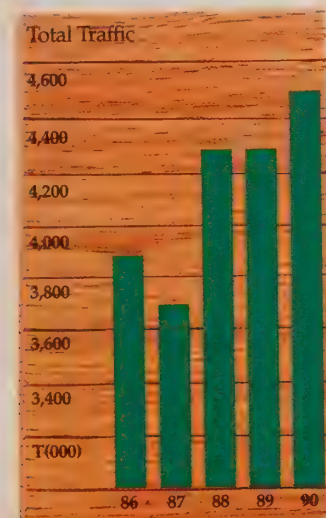
In 1990, construction began on a new berth to handle coal required for the thermal-power plant being built by New Brunswick Electric Power Commission. When the power plant begins operation in 1993, the port will handle 1.2 to 1.5 million tonnes of coal annually.

Lower handlings of dry bulk commodities, in particular phosphate rock due to labour strife at Brunswick Mining and Smelting, reduced the total volume of traffic by 13 percent to 316,000 tonnes from 363,000 tonnes the previous year. General cargo was also down from 21,000 tonnes to 9,000 tonnes, while petroleum products increased by 23 percent from 66,000 tonnes in 1989 to 81,000 tonnes in 1990.

Operating revenue declined by close to 10 percent to \$198,000 from \$219,000 in 1989, while operating expenses increased from \$153,000 to \$170,000. As a result, operating income declined 57 percent from \$65,000 in 1989 to \$28,000 in 1990. The financing cost of \$106,000 for the construction of the new berth contributed to a net loss of \$4,000 compared to a net income of \$100,000 in 1989.



Ports of Chicoutimi/  
Baie des Ha! Ha!



## Ports of Chicoutimi/ Baie des Ha! Ha!

Located at the head of the Saguenay River, the Port of Chicoutimi plays a key role in the local economy, its services being vital to the region's resource-based industries. The primary industrial sectors of the region are pulp and paper, and aluminium production. Port facilities are comprised of the Grande-Anse maritime terminal, located in the town of La Baie, and the Albert-Maltais dock located in Chicoutimi. Grande-Anse is used mainly for the handling of general cargo. The Albert-Maltais dock handles petroleum products for the area.

Total traffic at the Port of Chicoutimi increased by 10 percent from 485,000 tonnes in 1989 to 535,000 tonnes in 1990. Lumber and industrial salt are the main products accounting for this growth. However, the port also benefited from a shipment of 12,000 tonnes of caustic soda, a chemical product used for bleaching wood pulp. This is the result of a \$2 million investment by Servitank Inc. in a new liquid-bulk depot, operating since September 1990, at Grande-Anse. The port expects to handle approximately 50,000 tonnes of caustic soda each year. A waterfront master plan and several technical studies relating to the future development of the port were completed during the year.

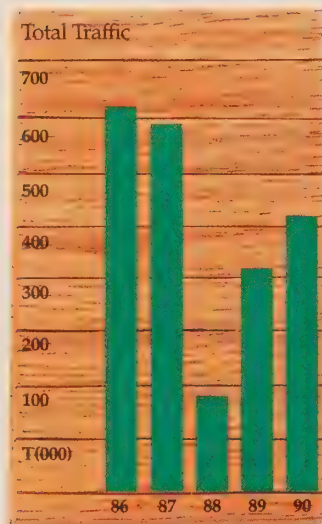
Baie des Ha! Ha! is the location of private wharf facilities owned and operated by Alcan, and used mainly to receive raw materials for the company's own use. Total traffic at Baie des Ha! Ha! increased slightly from 3.9 to 4 million tonnes. An increase in dry and liquid bulk cargo offset the effects of a decrease in general cargo.

Operating revenue increased at the Port of Chicoutimi from \$1.3 million in 1989 to \$1.6 million in 1990. Operating expenses declined from \$1.5 million to \$1.3 million during the same period, resulting in a reversal of operating results from a loss of \$260,000 in 1989 to an operating income of \$217,000 in 1990. Net income reached \$879,000 in 1990, a gain of 130 percent over the previous year from \$383,000.

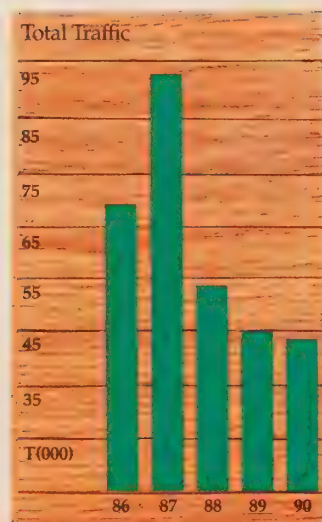
At Baie des Ha! Ha!, total operating revenues increased slightly from \$149,000 in 1989 to \$154,000 in 1990. However, operating expenses increased by close to 50 percent from \$56,000 to \$84,000, resulting in a decline in operating income of 25 percent from \$93,000 in 1989 to \$70,000 in 1990. Net income was \$119,000 in 1990, a five percent decrease from \$125,000 in 1989.



Port of Churchill



Port Colborne



## Port of Churchill

The Port of Churchill, located on the western shore of Hudson Bay, continued its primary role in 1990 in the export of western Canadian grain. The resupply of northern communities in the Keewatin region of the North West Territories is an equally-traditional function of the port. Total port traffic increased by 33 percent to 425,000 tonnes in 1990 from 320,000 tonnes in 1989. Twelve ships moved 393,000 tonnes of wheat and barley, which accounts for over 90 percent of total port traffic. The northern resupply operations had an increase in tonnage from 1989 to 32,000 tonnes. This traffic consisted mainly of petroleum products, building materials, vehicles, equipment and other essential supplies.

During the year, the Port of Churchill welcomed the largest grain ship ever to call at the port, the M.V. "Seabulk" (54,681 DWT). Another important event was the arrival of the cruise ship M.V. "Society Explorer" with 150 passengers transiting the port. In terms of facility improvement, the port also continued with Phase I of the dust control program aimed at meeting health and safety standards for its grain elevator.

Operating revenue rose 18 percent from \$4.0 million in 1989 to \$4.7 million in 1990. However, a substantial increase in operating expenses of 22 percent from \$5.4 million to \$6.6 million resulted in an operating loss of \$1.9 million in 1990 compared with \$1.5 million in 1989. Investment income offset this to some extent, resulting in a net loss of \$1.4 million for the year, compared to a net income of \$80,000 in 1989, as a result of a favourable adjustment of \$1.2 million grants-in-lieu of municipal taxes.

## Port Colborne

Port Colborne is located at the southern end of the Welland Canal specializing in the handling of domestic grain. In 1986, the Canada Ports Corporation leased the Port Colborne elevator to Goderich Elevators Limited of Ontario, under the terms of a twenty-year agreement.

In 1990, total port traffic, consisting entirely of grain, reached a level of 43,000 tonnes, a decrease of 2,000 tonnes from 1989. This figure represents approximately one-tenth the volume handled a decade ago.

Total operating revenue for the year increased slightly from \$112,000 in 1989 to \$116,000 while operating expenses declined from \$502,000 to \$481,000. Consequently, the operating loss fell six percent from \$390,000 in 1989 to \$365,000. Investment income contributed further to a favourable net income of \$170,000 compared to \$133,000 in 1989.



Port of Prescott

## Port of Prescott

The Port of Prescott is located 200 kilometers west of Montréal and 100 kilometers south of Ottawa on the St. Lawrence River. The primary function of the port is the handling of grain for domestic use through its 154,000-tonne-capacity elevator. In 1988, Elders Grain Company Limited, a division of Elders IXL, leased the elevator for a five-year period. In 1990, Elders IXL made a decision to divest itself of all its world-wide grain operations and put its lease with the Canada Ports Corporation up for sale. Goderich Elevators Limited of Ontario was assigned the lease, to operate the elevator for the remaining 2 1/2 years of the initial five-year term.

Total traffic at the port increased by 34 percent to 387,000 tonnes in 1990 from 289,000 tonnes in 1989. Water-borne grain traffic at the port, which represents 65 percent of the total traffic, increased 18 percent to 252,000 tonnes. The volume of industrial salt handled, at 134,000 tonnes for the year, is the highest since 1984.

A change in the throughput charge for grain handled, caused operating revenues to decline by 25 percent from \$803,000 in 1989 to \$604,000 in 1990. For the same period, operating expenses rose 15 percent from \$956,000 to \$1.1 million, resulting in an operating loss of \$500,000, up by 227 percent from \$153,000 in 1989. Investment income of \$1.8 million for the year counteracted this operating loss, resulting in a net income of \$1.3 million, down by 24 percent from a net income in 1989 of \$1.7 million.



Port of Sept-Îles

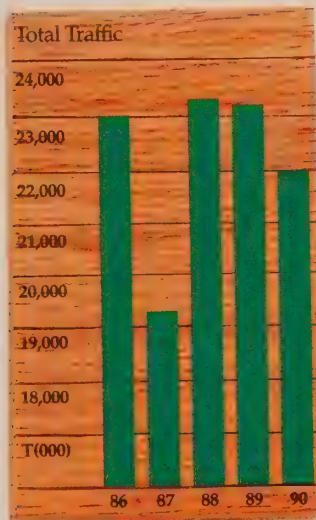
## Port of Sept-Îles

The Port of Sept-Îles is a deepwater port located on the north shore of the St. Lawrence River, 650 kilometers east of Québec City. It consists of a large natural basin with a water depth of 80-meters, open to year-round navigation. The port serves the mining industry of Quebec and Labrador, with iron ore accounting for 90 percent of total traffic. Other substantial bulk traffic includes coal and salt.

Total port traffic decreased by approximately 6 percent, from 23.3 million tonnes in 1989 to 22.0 million tonnes in 1990. This decrease was due primarily to a decline in the iron ore industry. Factors contributing to this decline include the economic recession in Canada and the US, and the steel-workers' strike in Ontario. The handling of calcinated petroleum coke, used for iron pellet production and iron ore shipments also experienced a decline.

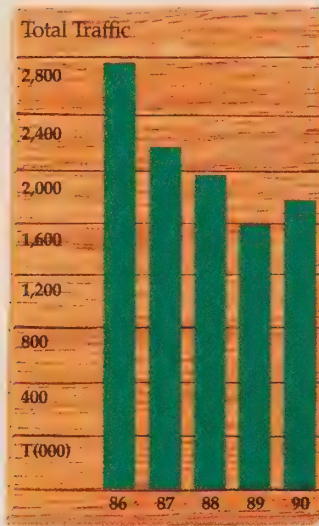
Construction of the Alouette aluminum plant at Pointe-Noire, announced in September 1989, continued during the year. At the start of operations projected for the middle of 1992, total port traffic will increase by approximately one million tonnes annually. The port will be involved in the construction of a conveyor belt system and storage areas to accommodate raw materials. The port will also build an unloading dock, as well as a railway terminal which will connect the port to the North American railway network. The new rail service will accommodate the shipment of finished products from the aluminum plant to continental markets. Total port investment for this project will be \$84.3 million.

Operating revenue increased from \$1.2 million in 1989 to \$1.5 million in 1990, due primarily to a shift in port traffic from private facilities to Ports Canada facilities. A strong demand for land leasing also contributed to growth in operating revenues. Operating expenses increased by 13 percent, from \$1.5 million in 1989 to \$1.7 million in 1990. An operating loss of \$182,000 in 1990 is an improvement over the operating loss of \$304,000 in 1989. Investment income of \$448,000 provided the port with a net profit of \$266,000 in 1990.





Port of Trois-Rivières



## Port of Trois-Rivières

The Port of Trois-Rivières is strategically located on the north shore of the St. Lawrence River, midway between Montréal and Québec City. It is open to year-round navigation. Exports of paper products and grain account for a major part of the total port traffic. Trois-Rivières is the world's largest production centre for newsprint. It also handles a wide variety of other cargoes, including grains, petroleum products, salt and kaolin, to meet regional demands.

Total port traffic in 1990 was 1.8 million tonnes, an increase of 13 percent over 1989. This growth is due primarily to an increase of 311,000 tonnes in grain. The port continued to suffer from the fact that certain local mills use surface transportation for the shipment of their domestic newsprint. This is the primary reason for the decrease of 43 percent in general cargo traffic from 99,000 tonnes in 1989 to 56,000 tonnes in 1990.

In December 1990, Aluminerie Luralco announced that Trois-Rivières had been chosen as the site for its terminal for aluminum, calcinated petroleum coke and raw materials for its aluminum plant being built in Deschambault, Quebec. The investment of approximately \$18.5 million by Luralco will eventually bring some 500,000 tonnes of additional traffic to the port. The first shipment is expected at the end of 1991 and full operations will be achieved by the summer of 1992.

Operating revenues at \$1.8 million in 1990, declined slightly from the previous year, and operating expenses increased from \$1.8 million to \$2 million in 1990. Consequently, the operating profit of \$97,000 in 1989 reversed to an operating loss of \$201,000 in 1990. Investment revenues totalled \$1.2 million which resulted in a net income of \$1 million in 1990, compared to \$1.3 million in 1989.



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1990 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Coopers & Lybrand*

Chartered Accountants

Ottawa, Ontario  
February 15, 1991

## Balance Sheet as at December 31, 1990

(in thousands of dollars)

Assets	1990	1989
Current		
Cash	\$ 861	\$ 244
Short-term investments (Note 3)	28,409	32,867
Accounts receivable	1,960	1,793
Due from Canada	1,036	426
Materials and supplies	293	264
	32,559	35,594
Investments (Note 3)	18,497	18,429
Long-term receivable (Note 4)	224	299
Investment in Ridley Terminals Inc.	1	1
Fixed assets (Note 6)	40,812	36,059
	92,093	90,382
<b>Interport Loan Fund - Assets (Note 11)</b>	<b>32,064</b>	<b>28,568</b>
	<b>\$ 124,157</b>	<b>\$ 118,950</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 9,641	\$ 4,169
Grants in lieu of municipal taxes	384	118
Due to Canada (Note 10)	10,220	-
	20,245	4,287
Accrued employee benefits	1,340	1,208
Loans from Canada (Note 8)	1,226	1,319
Deferred revenues	279	-
Due to Interport Loan Fund (Note 9)	3,745	-
	26,835	6,814
<b>Equity of Canada</b>		
Contributed capital (Note 10)	53,198	73,638
Retained earnings	12,060	9,930
	65,258	83,568
	92,093	90,382
<b>Interport Loan Fund - Contra (Note 11)</b>	<b>32,064</b>	<b>28,568</b>
	<b>\$ 124,157</b>	<b>\$ 118,950</b>

On behalf of the Board:

*A.R. Huntington*

The Honourable A.R. Huntington  
Chairman

*J. M. Tessier*

Jean Michel Tessier  
President and Chief Executive Officer



## Statement of Income and Retained Earnings

(in thousands of dollars)

for the year ended December 31, 1990	1990	1989
Revenue from operations	\$ 10,592	\$ 9,566
Operating and administrative expenses - net	9,820	8,769
Depreciation	2,958	2,690
Grants in lieu of municipal taxes	861	692
	13,639	12,151
Loss from operations	(3,047)	(2,585)
Investment income	5,616	5,369
Interest expense	(212)	(112)
Income before the undernoted	2,357	2,672
Share in loss of Ridley Terminals Inc.	-	(3,082)
Adjustment of grants in lieu of municipal taxes (Note 4)	-	1,174
Net income for the year	2,357	764
Retained earnings at beginning of the year	9,930	9,240
Dividend to Canada	(227)	(74)
Retained earnings at end of the year	\$ 12,060	\$ 9,930

## Statement of Changes in Financial Position

(in thousands of dollars)

for the year ended December 31, 1990	1990	1989
Operating Activities		
Net income for the year	\$ 2,357	\$ 764
Items not affecting cash		
Depreciation	2,958	2,690
Share in loss of Ridley Terminals Inc.	-	3,082
Accrued employee benefits	132	37
Deferred interest	106	-
Other	(30)	(13)
Long-term deferred revenues	279	-
Long-term receivable	75	(299)
Net change in operating components of working capital	(1,112)	(12,060)
Cash provided (required) by operating activities	4,765	(5,799)
Financing Activities		
Capital grants	9,747	2,754
Change in due from Canada	(610)	2,056
Transfers from Interport Loan Fund	3,639	-
Repayment of loans from Canada	(87)	(81)
Contribution to Canada	(20,440)	-
Amount due to Canada	10,220	-
Dividend paid to Canada	(227)	(74)
Cash provided by financing activities	2,242	4,655
Investing Activities		
Additions to fixed assets	(17,496)	(4,664)
Change in construction payables	6,648	(1,354)
Cash required by investing activities	(10,848)	(6,018)
Decrease in cash and short-term investments	(3,841)	(7,162)
Cash and short-term investments at beginning of the year	33,111	40,273
Cash and short-term investments at end of the year	\$ 29,270	\$ 33,111



## Notes to Financial Statements

December 31, 1990

### 1. Canada Ports Corporation Act

Canada Ports Corporation is established under the *Canada Ports Corporation Act*. The Act provides for the establishment of local port corporations to manage and operate selected

ports. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

### 2. Significant Accounting Policies

#### (a) Financial statements

The financial statements of the Corporation include the accounts of the ports and other facilities under its administration, as well as those of the Interport Loan Fund. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.

#### (b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

#### (c) Investment in Ridley Terminals Inc.

The investment in Ridley Terminals Inc. is accounted for on the equity basis.

#### (d) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes

operational, using rates based on the estimated useful lives of the assets.

#### (e) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (f) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (g) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

### 3. Investments

Investments are direct and guaranteed securities of Canada. Their amortized cost and market value are as follows:

(in thousands of dollars)				
	1990		1989	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Current -				
Canada treasury bills	\$ 28,409	\$ 28,435	\$ 32,867	\$ 32,788
Long-term -				
Canada bonds	\$ 18,497	\$ 20,129	\$ 18,429	\$ 21,080

### 4. Long-term Receivable

In 1989, the Municipal Grants Division of Public Works Canada finalized an audit of grants in lieu of municipal taxes. This audit resulted in an adjustment of \$1,174,000 in favour of the Corporation for the years 1985 to 1989, \$800,000 of which had been accrued in previous years.

This accrual was reversed and the balance of \$374,000 was set up in 1989 as a long-term receivable from the Local Government District of Churchill in Manitoba. The receivable is to be recovered in equal annual installments from 1990 to 1994.

(in thousands of dollars)			
	1990		1989
Non-interest bearing receivable	\$	299	\$ 374
Less: Current portion		(75)	(75)
	\$	224	\$ 299



## 5. Debentures of Saint John Harbour Bridge Authority

As at December 31, 1989, the Saint John Harbour Bridge Authority (the Authority) was indebted in the amount of \$13,793,000 to the Corporation, which in turn was indebted to Canada in the same amount. Accordingly, the debentures receivable and the advances payable had been offset against each other, as were the related interest income and expense of \$947,000 for 1989. Thus the financial statements of the

Corporation for the year ended December 31, 1989 did not reflect any of these amounts.

In June 1990, the Corporation, by agreement with the Government of Canada and the Authority, assigned and transferred to Canada the debentures receivable from the Authority, and was thereby released and discharged from the related indebtedness to Canada.

## 6. Fixed Assets

### a) Summary

(in thousands of dollars)					
			1990	1989	
	Depreciation rates %	Cost	Accumulated Depreciation	Net	Net
Land	—	\$ 4,482	\$ —	\$ 4,482	\$ 4,482
Dredging	2.5 – 6.7	9,489	6,339	3,150	3,475
Berthing structures	2.5 – 10	34,515	18,419	16,096	16,826
Buildings	2.5 – 10	16,418	12,432	3,986	4,187
Utilities	3.3 – 10	2,818	1,558	1,260	1,363
Roads and surfaces	2.5 – 10	3,775	1,958	1,817	571
Machinery and equipment	5 – 100	20,187	16,669	3,518	4,118
Office furniture and equipment	20	3,237	2,385	852	794
Works under construction	—	5,651	—	5,651	243
		\$ 100,572	\$ 59,760	\$ 40,812	\$ 36,059

### (b) Capital grants

During the year, the Corporation received capital grants towards the construction of fixed assets totalling \$9,747,000 (1989 - \$2,754,000).

### (c) Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$28,938,000 of which most will be expended in the year ending December 31, 1991.

## 7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are deferred revenues of \$965,000 (1989 - \$679,000) and current portion of long-term liabilities of \$93,000 (1989 - \$87,000).



## 8. Loans from Canada

(in thousands of dollars)

	1990	1989
Loans bearing interest at 6.44% and 9.09%, repayable in blended annual instalments of principal and interest of \$193,000 and maturing on December 31, 2000	\$ 1,319	\$ 1,406
Less: Current portion	(93)	(87)
	\$ 1,226	\$ 1,319

Principal repayment requirements over the next five years amount to \$93,000 in 1991, \$100,000 in 1992, \$108,000 in 1993, \$116,000 in 1994 and \$124,000 in 1995.

## 9. Due to Interport Loan Fund

The Interport Loan Fund has provided financing for a capital project of a port under the administration of the Corporation. This financing comprised transfers of funds totalling \$3,639,000 and accrued interest on the transfers of \$106,000. The transfers bear interest at 10.91% to 11.47% and are to be repaid in twenty blended annual instalments of principal and interest, scheduled to commence December 31, 1993.

The terms of the transfers provide that accrued interest is to be added to the principal amount of the transfers and compounded annually until the annual payments commence. The repayment of the deferred interest is subject to the same terms as the principal amount of the transfers.

Principal repayment requirements over the next five years amount to \$70,000 in 1993, \$78,000 in 1994 and \$87,000 in 1995.

## 10. Contributed Capital

Canada has requested a contribution of \$100 million towards the federal deficit reduction from Canada Ports Corporation and the local port corporations. Cash payments have been requested of ports identified with cash reserves exceeding their short-term capital investment needs.

The Corporation's share of the contribution was \$20.44 million of which \$10.22 million is shown as Due to Canada at December 31, 1990. The contribution has been applied against Contributed Capital as follows:

	(in thousands of dollars)	
	1990	1989
Balance at beginning of the year	\$ 73,638	\$ 73,638
Contribution to Canada	(20,440)	—
Balance at end of the year	\$ 53,198	\$ 73,638

## 11. Interport Loan Fund

In 1989, Canada provided a grant of \$26,650,000 to establish the Interport Loan Fund. This grant was equivalent to the 1988 and 1989 dividend payments of the Corporation and the local port corporations, plus accrued interest.

The purpose of the Fund is to provide financing for financially viable capital projects of the Corporation and the local port corporations.

The balance sheet of the Fund as at December 31 shows:

	(in thousands of dollars)	
	1990	1989
Assets		
Current		
Cash and treasury bill investments	\$ 28,319	\$ 28,568
Transfers receivable	3,745	—
	\$ 32,064	\$ 28,568
Fund Balance		
Contribution from Canada	\$ 26,650	\$ 26,650
Retained earnings	5,414	1,918
	\$ 32,064	\$ 28,568



The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1990 and 1989, the market value of the investments approximates their amortized cost.

The transfers made in 1990 are described in note 9.

The Fund is committed to providing financing of \$55.3 million for financially viable capital projects of divisional

ports over the next three years. Canada has made a commitment to invest up to \$50 million in the Fund over the same time period.

The statement of income and retained earnings of the Fund for the year ended December 31, 1990 in comparison with the seven month period ended December 31, 1989, is as follows:

	(in thousands of dollars)	
	1990	1989
Interest income	\$ 3,571	\$ 1,918
Administrative expenses	75	—
Net income	3,496	1,918
Retained earnings at beginning of the year/period	1,918	—
Retained earnings at end of the year/period	\$ 5,414	\$ 1,918

## 12. Related Party Transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and crown corporations.

In accordance with the *Canada Ports Corporation Act*, operating and administrative costs incurred by the Corporation in the amount of \$7,177,000 have been recovered from the local port corporations in 1990 (\$6,225,000 in 1989). These recoveries are offset against the related expenses.

Investment income of \$5,616,000 (\$5,369,000 in 1989) was earned on Government of Canada securities and interest charges of \$106,000 (\$112,000 in 1989) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 6(b), 8 and 10.

## 13. Contingencies

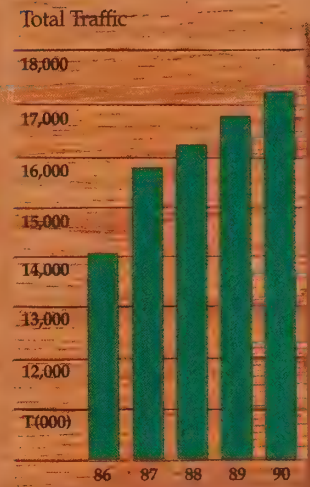
Claims aggregating approximately \$3,459,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the

Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.



# Halifax Port Corporation





## Joint Message from the Chairman of the Board and the President and Chief Executive Officer



Donald A. Parker



David F. Bellefontaine

**T**he Halifax Port Corporation is pleased to report on its fifth consecutive record year for cargo tonnages.

Competitive pressures on North American ports were further strengthened in 1990, creating an environment of intense marketing and solicitation of business. Over the past five years, the Port of Halifax has doubled its volume of containerized cargo, even though competition from other ports during this period had become more severe.

The positive operating and financial results produced in 1990 reflect the viability and outward thrust of the Halifax Port Corporation which now handles more Canadian containerized cargo than any other port.

The acquisition of a third gantry crane at the Ceres container terminal, and the announcement of a fourth gantry crane by Halterm Ltd. further bolstered the optimism and investment in the Port of Halifax for the future. These commitments, together with other investments by the Halifax Port Corporation and other team players, express to shipping lines the dedication of the partners and their desire to keep the port a winning product.

In accordance with our statutory obligation, we are pleased to advise the Board of Directors and the shareholder, that the Corporation has adequate measures in place to ensure the achievement of the Corporation's objectives.

### Capital Expenditures

Capital expenditures in 1990 amounted to \$2.3 million, which included \$845,000 for the crane rail connection between Pier "C" and Pier "B". Pier "B" has been leased to Halterm Limited thereby providing an additional 572 meters of berthing and 4.61 hectares of cargo handling area.

The remaining \$1.5 million was expended on the Pier "C" Restroom Expansion (\$0.6 million), purchase of a port patrol boat (\$140,000), renovations to the Corporation's Administration Building (\$174,000) and miscellaneous plant and equipment requirements.

Over the past five years, the Corporation has spent \$16 million on capital projects (\$15.1 million being funded from port working capital).

### Cargo Highlights

For the fifth consecutive year, cargo levels reached a new record. Total port cargo was 17.3 million tonnes, up from the previous record of 16.8 million tonnes set in 1989.

Imports and exports of crude and refined oils amounted to 9.1 million tonnes, up by 5.3 percent from 8.6 million tonnes recorded the previous year. Exports of gypsum grew slightly to 3.2 million in 1990.

Containerized cargo reached an all time record in 1990 at 3.9 million tonnes, which represents an increase of 100 percent over the past five years. The Port of Halifax now has more liner sailings to more world ports than any other port in Canada. Even under the present intensified competition within North America, port management intends to enhance the Port of Halifax as an important port of call to lines serving the globe.

### Financial Results

Revenue from operations amounted to \$15 million in 1990, up slightly from the \$14.9 million recorded in 1989. Total expenses were \$11.9 million, as compared to \$10.6 million in 1989. Income from operations fell to \$3.1 million, from \$4.2 million the year earlier. Net income was recorded at \$3.7 million as compared to the record set in 1989 of \$4.6 million.

Working capital remained relatively unchanged at \$6.8 million at year's end; short term investments increased by \$0.7 million to reach \$7.8 million at year's end.

### Personal Contributions

The record year for cargo tonnage in 1990 was achieved only through the teamwork and dedication of all port partners. We wish to thank all those who have worked so hard in 1990 to make the Port of Halifax one of the success stories during the year.

The future looks competitive but bright; only through the continued positive contributions of all players, can we ensure that the future is one of promise and success.

Donald A. Parker  
Chairman of the Board

David F. Bellefontaine  
President and Chief Executive Officer



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1990, and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects the financial position of the Corporation as at December 31, 1990, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

### Chartered Accountants

Halifax, Nova Scotia  
January 28, 1991

## Balance Sheet as at December 31, 1990

Assets	1990	1989
<b>Current</b>		
Cash	\$ 796,402	\$ 239,827
Investments (Note 3)	7,788,502	7,134,531
Accounts receivable	2,517,733	2,604,428
Materials and supplies	105,608	133,269
	<b>11,208,245</b>	<b>10,112,055</b>
Investments (Note 3)	33,615	33,510
Fixed (Note 4)	58,723,495	59,273,611
	<b>\$ 69,965,355</b>	<b>\$ 69,419,176</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 3,157,432	\$ 1,699,611
Grants in lieu of municipal taxes	335,768	250,008
Deferred revenues	539,777	940,711
Current portion of long term debt	404,208	367,462
	<b>4,437,185</b>	<b>3,257,792</b>
Accrued employee benefits	701,831	664,314
Loans from Canada (Note 5)	2,714,506	3,118,714
	<b>7,853,522</b>	<b>7,040,820</b>
<b>Equity</b>		
Contributed capital (note 6)	50,856,865	53,796,865
Surplus	11,254,968	8,581,491
	<b>62,111,833</b>	<b>62,378,356</b>
	<b>\$ 69,965,355</b>	<b>\$ 69,419,176</b>
Contingent liabilities (Note 7)		

On behalf of the Board:

Donald A. Parker  
Chairman

David F. Bellefontaine  
President and Chief Executive Officer



## Statement of Income and Surplus

	year ended December 31, 1990	1990	1989
Revenue from operations		\$ 15,007,422	\$ 14,851,629
Operating and administrative expenses		8,851,002	7,440,556
Depreciation		2,104,449	2,215,426
Grants in lieu of municipal taxes		1,000,000	978,444
		11,955,451	10,634,426
Income from operations		3,051,971	4,217,203
Investment income		991,563	737,672
Interest expense		(348,617)	(382,023)
Gain on disposal of fixed assets		2,552	7,123
		645,498	362,772
Net income		3,697,469	4,579,975
Surplus, beginning of year		8,581,491	4,580,185
		12,278,960	9,160,160
Dividend to Canada		1,023,992	578,669
Surplus, end of year		\$ 11,254,968	\$ 8,581,491

## Statement of Changes in Financial Position

	year ended December 31, 1990	1990	1989
Operating activities			
Net income		\$ 3,697,469	\$ 4,579,975
Depreciation		2,104,449	2,215,426
Other		34,860	(22,413)
Decrease in operating components of working capital		66,792	1,166,559
Cash provided by operating activities		5,903,570	7,939,547
Financing activities			
Increase (decrease) in accounts payable		320,211	(311,276)
Loans from Canada		(367,462)	(334,057)
Dividend to Canada		(1,023,992)	(578,669)
Contributions to Canada		(1,470,000)	—
Cash applied to financing activities		(2,541,243)	(1,224,002)
Investing activities			
Additions to fixed assets		(2,157,980)	(5,378,441)
Other		6,199	12,497
Cash applied to investing activities		(2,151,781)	(5,365,944)
Increase in cash and short-term investments		1,210,546	1,349,601
Cash and short-term investments, beginning of year		7,374,358	6,024,757
Cash and short-term investments, end of year		\$ 8,584,904	\$ 7,374,358



## Notes to Financial Statements

year ended December 31, 1990

1.

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of Halifax to Halifax Port Corporation.

## 2. Significant Accounting Policies

### (a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

### (b) Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both

the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

### (d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

### (e) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

## 3. Investments

	1990		1989	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short term	\$ 7,778,502	\$ 8,115,100	\$ 7,134,531	\$ 7,474,800
Long term	\$ 33,615	\$ 34,270	\$ 33,510	\$ 33,498

## 4. Fixed Assets

		1990		1989	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$ 24,441,887	\$	\$ 24,441,887	\$ 24,441,887
Dredging	2.5 - 6.7%	3,443,290	2,350,125	1,093,165	1,122,111
Berthing structures	2.5 - 10%	35,120,246	19,079,438	16,040,808	16,625,264
Buildings	2.5 - 10%	17,701,738	11,400,781	6,300,957	5,962,638
Utilities	3.3 - 10%	5,934,454	2,435,755	3,498,699	3,644,161
Roads and surfaces	2.5 - 10%	8,481,260	4,457,097	4,024,163	4,496,261
Machinery and equipment	5 - 100%	8,388,112	6,320,424	2,067,688	2,680,171
Office furniture and equipment	20%	1,123,698	971,364	152,334	152,808
Projects under construction		1,103,794		1,103,794	148,310
		\$105,738,479	\$ 47,014,984	\$ 58,723,495	\$ 59,273,611



## 5. Loans from Canada

	1990	1989
10% loan maturing on December 31, 1996, repayable in blended annual principal and interest payments of \$716,080	\$ 3,118,714	\$ 3,486,176
Less current portion repayable within one year	\$ 404,208	367,462
	\$ 2,714,506	\$ 3,118,714

The loans from Canada are unsecured.

## 6. Contributed Capital

Under a deficit sharing initiative undertaken by the Government of Canada, the Corporation provided \$2,940,000 during 1990 as a return on capital amounts previously contributed.

## 7. Contingent Liabilities

(a) The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has not quantified an amount. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

(b) The Corporation has been assessed for approximately \$625,000 grants in lieu of taxes in addition to the amounts provided for. In the opinion of management this assessment is not valid. The determination of additional amounts due, if any, is subject to the completion of a final audit and assessment by Public Works Canada, the outcome of which cannot be reasonably determined at this time.

## 8. Comparative Figures

Certain of the 1989 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1990.

## Board of Directors

**Donald A. Parker \***

Chairman  
Businessman  
Dartmouth, N.S.

**Paul M. Murphy, Q.C. \***

Vice-Chairman  
Partner  
Patterson Kitz  
Halifax, N.S.

**Florence R. Irwin \*\***

Partner  
Canadian Annuity  
Quotations and Insurance Services Ltd.  
Bedford, N.S.

**Michael J. Proude**

President - Local 269  
International Longshoremen's Association  
Dartmouth, N.S.

**Lois A. Glibbery \*\***

Property Marketing Specialist  
Royal LePage Real Estate Services Ltd.  
Dartmouth, N.S.

**Harald A. Norve \***

President, H.A. Norve & Associates Ltd.  
Halifax, N.S.

**Captain Ernest A. Coates \*\***

Retired Marine Superintendent  
Esso Petroleum Canada  
Dartmouth, N.S.

\* Executive Committee

\*\* Audit Committee

## Officers of the Corporation

**Donald A. Parker**

Chairman

**Paul M. Murphy**

Vice-Chairman

**David F. Bellefontaine**

Port Manager, President and Chief Executive Officer

**Lorraine E. Brenton**

Corporate Secretary

**Claude L. Ball**

Senior Vice-President and  
Chief Operating Officer

**Robert A. Kaye**

Vice-President, Marketing

**Richard T. Pentland**

Vice-President, Engineering and Works

**Dennis W. Creamer**

Vice-President, Finance and Real Property

**Peter J. MacKeigan**

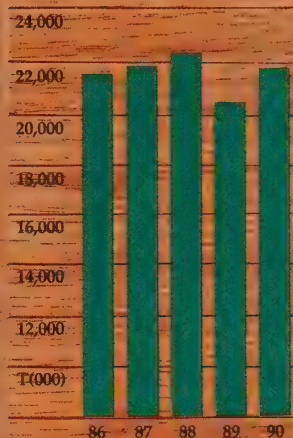
Chief Legal Officer



# Montréal Port Corporation

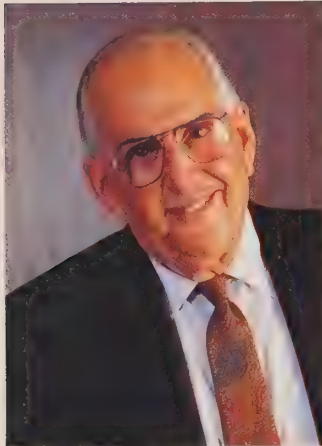


Total Traffic





## Joint Message from the Chairman of the Board and the President and Chief Executive Officer



André Gingras



Dominic J. Taddeo

**W**e are pleased to report on the Corporation's operating results for 1990, a year in which the port set a record in containerized general cargo traffic and increased its share of the containerized cargo market despite fierce competition.

The total volume of traffic handled at the Port of Montréal in 1990 was 21.7 million metric tonnes, an increase of 6.5 percent compared with 1989.

### 1990 Highlights

Traffic in the containerized and non-containerized general cargo category totalled 6.9 million tonnes, up 3.5 percent compared with the previous year. Containerized general cargo traffic reached an unprecedented 5.8 million tonnes, an increase of 7.4 percent.

Like the Corporation and everyone involved in port activity, our container shipping lines, as dynamic as ever and accustomed to moving forward in the face of fierce competition, stepped up their marketing and sales efforts and introduced new initiatives in 1990 to offer more and more efficient services at highly competitive prices.

For its part, the port has taken measures to ensure its progress and maintain its competitive edge by embellishing its traffic incentive program to encourage as much container traffic as possible, rigidly controlling operating costs, improving and expanding port facilities, taking joint initiatives with its partners in the areas of marketing and promotion, and creating a port users' committee to increase efficiency and productivity through improved communications.

In the petroleum-products sector, traffic benefited from the growth in demand for refined products and rose to 7.1 million tonnes in 1990, an increase of 2.5 percent.

Last year showed a marked improvement in grain handling, with traffic in this sector up 63.6 percent to reach 2.7 million tonnes. This improvement was mainly attributable to better harvests in 1989 and 1990, and Canada's major sale of wheat to the U.S.S.R. which brought the port more activity at the end of the year.

Traffic in the other dry and liquid-bulk category totalled five million tonnes in 1990, a decrease of three percent compared with 1989.

One of the highlights for the Port of Montréal in 1990 was its acquisition of Contrecoeur Terminal, a division of Iron Ore Co. of Canada. The Corporation is now the owner of a dry bulk terminal and has acquired its clientele.

Contrecoeur Terminal is a new source of revenue and it is an excellent and timely solution to the port's acute and urgent problem of shortage of space for handling and storing bulk cargo. The facility is immediately adjacent to the land bank that the Port of Montréal has assembled in Contrecoeur for container expansion and fits in well with the port's Horizon 2010 development strategy announced in August 1988.

### Financial Results

Revenue from operations totalled \$55.6 million and net income from operations was \$3.6 million. Net income amounted to \$10.8 million including net investment income of \$7.2 million.

Capital expenditures amounted to \$22.9 million, reflecting our continuing commitment to expanding and improving our facilities.

It is a pleasure for us to assure the Board of Directors and the shareholder that adequate measures are in place to ensure the achievement of our corporate objectives.

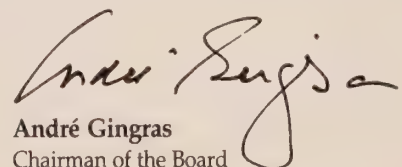
### Outlook

We cannot expect 1991 to bring us more grain traffic than last year as the situation in this sector remains difficult throughout the entire St. Lawrence/Great Lakes system.

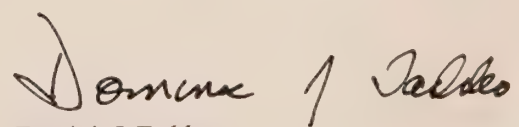
In other respects, with the war in the Persian Gulf and its possible repercussions on the world economy, as well as the recession, we must be careful in making any forecasts for 1991.

Nevertheless, we firmly believe that the Port of Montréal will do as well as or even better than other ports on the North American eastern seaboard in 1991.

We are convinced that everyone involved in port activity in Montréal will continue to do their part to improve services, and we are confident that the Port of Montréal will continue to be a leader on the North Atlantic for a long time to come.



André Gingras  
Chairman of the Board



Dominic J. Taddeo  
President and Chief Executive Officer



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the consolidated balance sheet of Montréal Port Corporation as at December 31, 1990 and the consolidated statements of earnings, retained earnings, contributed capital and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

*Samson Bilan*  
*Dechôte & Touche*

### Chartered Accountants

Montréal, Quebec  
February 8, 1991

## Consolidated Balance Sheet as at December 31, 1990 (in thousands of dollars)

	1990	1989
<b>Assets</b>		
Current Assets		
Cash	\$ 252	\$ 1,340
Investments (Note 3)	16,222	21,083
Accounts receivable	11,365	10,240
Materials and supplies	929	940
	28,768	33,603
Long-term investments (Note 3)	32,927	39,749
Property, plant and equipment (Note 4)	168,925	156,989
Other assets	575	579
	<b>\$ 231,195</b>	<b>\$ 230,920</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 21,728	\$ 8,117
Grants in lieu of municipal taxes	2,970	820
	24,698	8,937
Accrued employee benefits	5,291	5,206
Loans from Canada (Note 6)	5,669	6,129
	35,658	20,272
<b>Equity of Canada</b>		
Contributed capital	158,919	183,569
Retained earnings	36,618	27,079
	195,537	210,648
	<b>\$ 231,195</b>	<b>\$ 230,920</b>

On behalf of the Board:

*André Gingras*

André Gingras  
Chairman

*Dominic J. Taddeo*

Dominic J. Taddeo  
President and Chief Executive Officer



## Consolidated Statement of Earnings

	(in thousands of dollars)	
year ended December 31, 1990	1990	1989
Revenue from operations	\$ 55,552	\$ 53,034
Operating and administrative expenses	37,175	40,159
Depreciation	10,145	10,503
Grants in lieu of municipal taxes	4,653	4,125
	51,973	54,787
Earnings (loss) from operations	3,579	(1,753)
Investment income	7,609	7,372
Interest expense	(410)	(436)
	7,199	6,936
Net earnings	\$ 10,778	\$ 5,183

## Consolidated Statement of Retained Earnings

	(in thousands of dollars)	
year ended December 31, 1990	1990	1989
Balance, beginning of year	\$ 27,079	\$ 25,201
Net earnings	10,778	5,183
Dividend	(1,239)	(3,305)
Balance, end of year	\$ 36,618	\$ 27,079

## Consolidated Statement of Contributed Capital

	(in thousands of dollars)	
year ended December 31, 1990	1990	1989
Balance, beginning of year	\$ 183,569	\$ 183,569
Special contribution to Canada	24,650	—
Balance, end of year	\$ 158,919	\$ 183,569



# **Consolidated Statement of Changes in Financial Position**

	(in thousands of dollars)	
year ended December 31, 1990	1990	1989
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	\$ 10,778	\$ 5,183
Items not affecting cash		
Depreciation	10,145	10,503
Other	(461)	687
	20,462	16,373
Changes in non-cash operating working capital items (Note 7)	2,653	(5,211)
	23,115	11,162
Financing		
Repayment of current portion of loans from Canada	(432)	(407)
Increase (decrease) in accrued employee benefits	85	(123)
Dividend paid	(1,239)	(3,305)
Special contribution to Canada	(12,325)	—
	(13,911)	(3,835)
Investing		
Decrease (increase) of long-term investments	6,822	(177)
Acquisition of property, plant and equipment	(22,934)	(15,029)
Increase (decrease) in deposits on land sold	(355)	375
Proceeds on disposal of property, plant and equipment	1,314	468
Decrease of other assets	61	36
Acquisition of other assets	(61)	(140)
	(15,153)	(14,467)
Net cash outflow	(5,949)	(7,140)
Cash position, beginning of year	22,423	29,563
Cash position, end of year	\$ 16,474	\$ 22,423

Cash position comprises cash and short-term investments.



## Notes to Consolidated Financial Statements

year ended December 31, 1990

### 1. Description of Business

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same *Act*, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local

port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

The Corporation holds an investment in a wholly-owned subsidiary, 176422 Canada Inc., which is consolidated.

### 2. Accounting Policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

#### (a) Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

#### (b) Materials and Supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on average cost.

#### (c) Property, Plant and Equipment

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

#### (d) Pension Costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the

Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

#### (e) Grants in Lieu of Municipal Taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (f) Employee Benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

### 3. Investments

Funds are invested in Government of Canada direct securities and guaranteed by the Government of Canada. As at December 31, 1990, the market value of the short-

term investments is equivalent to their amortized cost, and the market value of long-term investments is \$35,135,092 (\$43,868,057 in 1989).



#### 4. Property, Plant and Equipment

(in thousands of dollars)

				1990	1989
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$ 25,783	\$ –	\$ 25,783	\$ 26,086
Dredging	2.5%	16,178	12,936	3,242	3,526
Berthing structures	2.5%	61,587	40,965	20,622	20,602
Buildings	2.5 – 10%	70,837	32,771	38,066	39,578
Utilities	3.3 – 10%	17,816	8,498	9,318	9,927
Roads and surfaces	2.5 – 10%	59,140	19,768	39,372	38,208
Machinery and equipment	5 – 20%	56,621	40,936	15,685	17,090
Office furniture and equipment	20%	3,509	2,213	1,296	1,272
		311,471	158,087	153,384	156,289
Acquisition for expansion*		15,344	–	15,344	–
Projects under construction		197	–	197	700
		\$ 327,012	\$ 158,087	\$ 168,925	\$ 156,989

\* As at December 28, 1990, the Corporation purchased the port operations of a mining company. The purchase price was \$15,250,000 cash included in acquisition for expansion.

The acquisition was accounted for by the purchase method, and the results of operations will be included in the consolidated financial statements as of January 1, 1991, the effective date of transfer of the operations.

#### 5. Accounts Payable and Accrued Liabilities

(in thousands of dollars)

	1990	1989
Special contribution to Canada	\$ 12,325	\$ -
Current portion of loans from Canada	460	432
Deferred revenues	828	632
Other	8,115	7,053
	\$ 21,728	\$ 8,117

#### 6. Loans from Canada

(in thousands of dollars)

	1990	1989
Loans, 6.25% payable to 2000 in annual installments of \$842,561 including interest	\$ 6,129	\$ 6,561
Current portion	460	432
	\$ 5,669	\$ 6,129

Principal repayment requirements over the next five years amount to:

1991	1992	1993	1994	1995
\$ 459,528	\$ 488,249	\$ 518,765	\$ 551,187	\$ 585,636

#### 7. Changes in Non-Cash Operating Working Capital Items

(in thousands of dollars)

	1990	1989
Accounts receivable	\$ (766)	\$ (1,415)
Materials and supplies	11	(68)
Accounts payable and accrued liabilities	1,258	(2,162)
Grants in lieu of municipal taxes	2,150	(1,566)
	\$ 2,653	\$ (5,211)



## 8. Contingencies

Claims aggregating approximately \$3,000,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not

reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

## 9. Commitments

- a) Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$689,000.
- b) In accordance with a Government of Canada policy concerning payment of dividends, the Corporation would be

required to pay a dividend, in respect of the 1990 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1991, would amount to approximately \$2,700,000 and would be applied against retained earnings.

## 10. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown corporations.

The Corporation derives revenues from related parties principally from grain warehousing and switching charges. The expenses paid to related parties are principally administration fees.

## Board of Directors

**André Gingras \***  
Chairman  
President, André Gingras & associés Inc.  
Westmount, Que.

**Bernard J. Finestone \***  
Vice-Chairman  
President, Abbey Finestone Inc.  
Westmount, Que.

**Roger Bishop**  
Longshoremen's Union  
CUPE/Local 375  
Brossard, Que.

**Suzanne Brochu**  
Communications Officer  
Caisse de dépôt et placement du Québec  
Montréal, Que.

**Raphael Esposito \***  
Esposito, Cocciardi, St-Onge & Beaulieu  
Montréal, Que.

**Peter B. Ohrt**  
Vice-President and Group Manager  
Burson-Marsteller  
Montréal, Que.

**Hubert F. Pichet**  
Lawyer  
Deveau, Lavoie & associés  
Laval, Que.

\* Members of the Executive Committee

## Officers of the Corporation

**André Gingras**  
Chairman

**Dominic J. Taddeo**  
President and Chief Executive Officer

**Roger Dubé**  
Vice-President, Administration

**Normand Fillion**  
Vice-President, Marketing

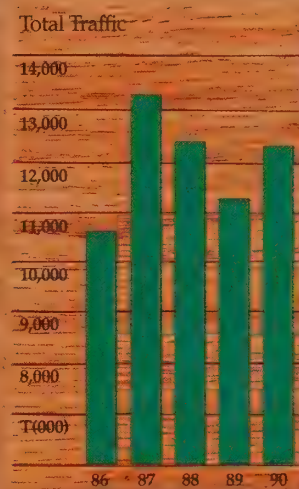
**Michel Lesage**  
Vice-President, Operations

**André Bédard**  
Director of Human Resources

**Jean Mongeau**  
Corporate Secretary



# Prince Rupert Port Corporation





## Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer



Donald H. Seidel



Terrence R. Andrew, P.Eng.

The Prince Rupert Port Corporation is pleased to report activities and results for the 1990 fiscal year. As in previous years, the port continued its thrust towards strategic issues affecting the future development and utilization of facilities. The port has expanded its intensive marketing program to include offshore Asian trade to ensure that all possible business opportunities are explored.

The port's Fairview Terminal expansion was completed in the spring of 1990. This expansion, which has provided an increase in terminal storage space of 35 percent and a third ship berth, will ensure that Canadian exporters of forest products have an effective and efficient gateway through which world markets can be reached, well into the next decade. At the same time, the port has been actively pursuing additional cargo to take full advantage of this newly expanded terminal.

The port continued its feasibility studies on Westview Terminal located in the inner harbour of Prince Rupert. During the year, progress was also made on the acquisition of waterfront property with the purchase of a 26 hectare site on the southern end of Kaien Island. This property is now included in the port's long-term future plans for development, specifically targeting liquid-bulk products. The Land Use Management Plan continues to be updated in order that the port can satisfy its objectives of developing the waterfront consistent with national, regional and local needs.

Total throughput at the Port of Prince Rupert in 1990 totalled 12.3 million tonnes, which is a 9 percent increase over the 1989 results. This is due mainly to a significant increase in grain shipments from Prince Rupert Grain's (PRG) terminal. Total grain shipments from PRG were 4.4 million tonnes, which is a 31 percent increase over the previous year's total. Coal throughput at the Ridley Island coal terminal reached 6.2 million tonnes resulting in a 4 percent increase over the previous year. Coal shipments for the upcoming year are uncertain due to the uncertainty of the northeast coal situation. Pulp shipments at Watson Island were 321,000 tonnes which is an 11 percent reduction over 1989 shipments.

Traffic at the port-owned Fairview Terminal was 827,000 tonnes which showed a decrease over the previous year of 17 percent. This decline is due to a reduction in lumber shipments which showed a throughput of 585,364 for the year. This trend is expected to continue into 1991. However, specialty grains shipped over Fairview Terminal at 181,945 tonnes realized an increase of 35 percent over 1989 shipments.

While ferry passengers through the port decreased during 1990 to 177,731, there was an increase in cruise ship passengers to 3,556 over 2,023 the previous year.

The Port of Prince Rupert is pleased to announce its 1990 financial results. Operating revenues show a slight decline to a level of \$14.2 million. Operating income improved over the 1989 level, rising to \$ 2.8 million. However, net income was down from the prior year to \$2 million due to financing charges on the \$17.3 million loan required for construction of the Fairview Terminal expansion.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

In conclusion, the port would like to thank everyone involved in waterfront activity in Prince Rupert for their effort and dedication during 1990. We are confident that the ongoing challenges can be met with this continued support from the industry. With the ongoing support and commitment of the City of Prince Rupert, the Port of Prince Rupert will continue to expand and develop in order to meet the needs of its customers in the future.

Donald H. Seidel

Chairman of the Board

Terrence R. Andrew, P.Eng.

General Manager and Chief Executive Officer



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1990 and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

### Chartered Accountants

New Westminster, British Columbia  
February 1, 1991

## Balance Sheet as at December 31, 1990

Assets	1990	1989
Current Assets		
Cash	\$ 254,462	\$ 106,563
Investments (note 2)	5,337,094	1,793,604
Accounts receivable	2,227,574	1,325,290
Materials and supplies	209,615	110,779
	8,028,745	3,336,236
Property and equipment (note 3)	104,024,593	97,774,346
	<b>\$112,053,338</b>	<b>\$101,110,582</b>

### Liabilities and Equity of Canada

Current liabilities		
Accounts payable and accrued liabilities	\$ 282,641	\$ 3,317,012
Payable to Canada	2,174,570	1,864,733
Grants in lieu of municipal taxes	441,397	500,874
Deferred revenues	201,004	173,481
Current portion of loans from Canada	300,873	80,129
	3,400,485	5,936,229
Long-term debt		
Recoverable contribution from Canada (note 4)	48,300,000	48,300,000
Loans from Canada (note 5)	16,878,998	4,419,871
	65,178,998	52,719,871
Equity of Canada		
Contributed surplus	31,311,805	31,311,805
Surplus	12,162,050	11,142,677
	43,473,855	42,454,482
	<b>\$112,053,338</b>	<b>\$101,110,582</b>

### Commitments (note 6)

On behalf of the Board:

Donald H. Seidel  
Chairman

Terrence R. Andrew, P.Eng.  
General Manager and Chief Executive Officer



## Statement of Income and Surplus

year ended December 31, 1990	1990	1989
Revenue from operations	\$ 14,195,949	\$ 14,372,103
Expenses		
Operating and administrative	9,272,992	9,614,220
Depreciation	1,652,365	701,994
Grants in lieu of municipal taxes	439,826	544,573
	11,365,183	10,860,787
Income from operations	2,830,766	3,511,316
Other income (expense)		
Interest income	1,000,973	985,783
Loss on disposal of property and equipment	(283,573)	—
Interest expense	(1,554,732)	(83,562)
	(837,332)	902,221
Net income	1,993,434	4,413,537
Surplus, beginning of year	11,142,677	7,852,327
	13,136,111	12,265,864
Dividend to Canada	974,061	1,123,187
Surplus, end of year	\$ 12,162,050	\$ 11,142,677



## Statement of Changes in Financial Position

year ended December 31, 1990	1990	1989
Cash provided by (used in):		
Operations		
Net income	\$ 1,993,434	\$ 4,413,537
Items not involving cash		
Depreciation	1,652,365	701,994
Loss on disposal of property and equipment	283,573	-
Changes in non-cash operating working capital		
Accounts receivable	(902,284)	(463,865)
Materials and supplies	(98,836)	(17,115)
Accounts payable and accrued liabilities	(3,034,371)	2,630,846
Grants in lieu of municipal taxes	(59,477)	106,276
Deferred revenues	27,523	24,151
	(138,073)	7,395,824
Financing		
Increase in payable to Canada	309,837	1,845,865
Increase in loans from Canada	12,679,871	4,500,000
Dividend to Canada	(974,061)	(1,123,187)
	12,015,647	5,222,678
Investment		
Purchase of property and equipment	(8,186,185)	(27,204,293)
Increase (decrease) in cash position	3,691,389	(14,585,791)
Cash position, beginning of year	1,900,167	16,485,958
Cash position, end of year	\$ 5,591,556	\$ 1,900,167
Cash position is defined as cash and investments		



## Notes to Financial Statements

year ended December 31, 1990

### Local Port Corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

### 1. Significant Accounting Policies

#### (a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

#### (b) Property and equipment

Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5 %
Berthing structures	2.5 - 10 %
Buildings	5 - 10 %
Roads and surfaces	3.3 - 10 %
Utilities	5 - 10 %
Machinery and equipment	5 - 100 %
Office furniture and equipment	20 - 33.3 %

#### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

### 2. Investments

	1990	1989
Amortized cost	\$ 5,337,094	\$ 1,793,604
Market value	\$ 5,277,293	\$ 1,791,970



### 3. Property and Equipment

			1990	1989
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 64,099,197	\$ —	\$ 64,099,197	\$ 60,498,881
Dredging	306,049	9,528	296,521	3,624
Berthing structures	36,177,563	4,178,592	31,998,971	5,433,237
Buildings	3,055,486	692,957	2,362,529	1,948,769
Roads and surfaces	6,666,444	2,815,843	3,850,601	1,163,300
Utilities	2,985,663	1,948,593	1,037,070	1,201,014
Machinery and equipment	1,608,703	1,376,581	232,122	343,627
Office furniture and equipment	349,108	201,526	147,582	127,375
Construction in progress	—	—	—	27,054,519
	<b>\$115,248,213</b>	<b>\$ 11,223,620</b>	<b>\$104,024,593</b>	<b>\$ 97,774,346</b>

### 4. Recoverable Contribution from Canada

A recoverable contribution of \$50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1990 is \$48,300,000.

The total recoverable contribution was interest-free until April 1, 1989, thereafter it bears interest of approximately 13.9%.

Principal and interest on \$48,300,000 of the contribution are repayable in annual instalments over a 20 year period, commencing April 1, 1989 contingent upon the revenues received from a direct coal throughput surcharge of \$ .463 per tonne for 1990, (escalating with the rate of increase in the Consumer Price Index) at a minimum throughput of

6,600,000 tonnes but not to exceed 12,000,000 tonnes per year. On April 1, 2009, it is anticipated that the unpaid balance of the contribution, if any, will be forgiven by the Government of Canada.

As the Corporation acts as an intermediary between Ridley Terminals Inc. and the Government of Canada, the surcharge revenues and interest payments are not reflected in the Corporation's statement of income. Rather, they are reflected on the balance sheet as payable to Canada.

As at December 31, 1990, the Corporation has received/ receivable approximately \$2,175,000 (1989, \$1,900,000) in connection with the above surcharge which is included in payable to Canada.

### 5. Loans from Canada

	1990	1989
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	\$ 17,179,871	\$ 4,500,000
Less portion included in current liabilities	300,873	80,129
	<b>\$ 16,878,998</b>	<b>\$ 4,419,871</b>
Principal repayment requirements over the next five years are as follows:		
	1991	\$ 301,000
	1992	332,000
	1993	366,000
	1994	403,000
	1995	444,000
		<b>\$ 1,846,000</b>



## 6. Commitments

(a) During the year the Corporation entered into an agreement with Canadian National Railway Company (CNR), whereby CNR sold to the Corporation 2.8 hectares of land in exchange for 0.913 hectares of land and \$625,000.

The Corporation recorded the land acquired at the carrying value of the land sold and \$625,000.

At year end, the Corporation had acquired title to the former CNR property but title had not yet transferred on the land sold from the Corporation to CNR.

(b) The Corporation rents a building under a long-term operating lease which expires May 1, 1991. The aggregate rental payable to the expiry date amounts to \$90,088.

## 7. Related Party Transactions

(a) During the year, the Corporation received revenue of \$1,654,584 (1989, \$1,489,644) from Ridley Terminals Inc., a company in which Canada Ports Corporation has a significant investment. At December 31, 1990, the Corporation was owed \$741,675 by Ridley Terminals Inc. (1989, \$495,561).

(b) During the year the Corporation paid \$534,884 (1989, \$463,961) to Canada Ports Corporation as its share of that Corporation's head office expense.

## Board of Directors

**Donald H. Seidel \***  
Chairman  
Business Manager  
Prince Rupert, B.C.

**Dolores D. MacIntosh \***  
Vice-Chairman  
Property Manager  
Prince Rupert, B.C.

**John T. Payne \*/\*\***  
General Manager  
Universal Stores Inc  
Prince Rupert, B.C.

**John D. McNish \*\***  
Manager  
Credit Bureau of Prince Rupert  
Prince Rupert, B.C.

**William B. Hick**  
Physician (Retired)  
Prince Rupert, B.C.

**Ronald A. Ciccone \*\***  
Agent  
Mutual Life of Canada  
Prince Rupert, B.C.

**Donald Brown**  
Lawyer  
Terrace, B.C.

\* Executive Committee

\*\* Audit Committee

## Officers of the Corporation

**Donald H. Seidel**  
Chairman

**Terrence R. Andrew, P. Eng.**  
General Manager and Chief Executive Officer

**Don H. Krusel**  
Manager, Finance and Administration

**Joseph A. Stranan**  
Manager, Marketing and Planning

**J. Gordon Houston**  
Manager, Operations/Harbour Master

**David Shearer**  
Manager, Engineering and Maintenance

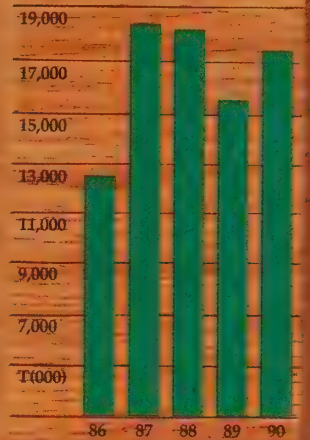
**Heather McLean**  
Corporate Secretary



# Port of Québec Corporation



Total Traffic





## Joint Message from the Chairman of the Board and the President and Chief Executive Officer



Guy Boulanger f.c.a.



Ross Gaudreault

The Port of Québec Corporation is pleased to present its annual report for 1990. The port administration's principal objective for the year was the strategic development of its deep-water competitive advantage through investments in the improvement of handling equipment and a sustained marketing campaign. The Port of Québec is now in an excellent position to benefit from the impending economic recovery.

With regard to total tonnage, the port shipments of petroleum products and grain increased in 1990, reducing the impact of a decline in the transportation of iron ore and general cargo. Overall volume surpassed the 17.3 million tonne mark, representing an increase of 10.5 percent compared to the 15.7 million tonnes of cargo handled in 1989.

After two very difficult years for grain traffic on the St. Lawrence, 1990 was characterized by an upturn in this trade. Grain shipments at the Port of Québec amounted to 4.2 million tonnes, compared to 2.8 million tonnes in 1989.

Activity at the Ultramar pier intensified, following investments by that company to increase refining capacity at its Saint-Romuald plant from 100,000 to 120,000 barrels of crude oil per day. For port facilities as a whole, the handling of petroleum products increased 28 percent to 9.4 million tonnes, compared to 7.3 million tonnes the preceeding year.

An unfavourable economic situation caused a significant decline in the transshipment of extracts, including iron ore. The total volume of extracts, such as iron, copper, zinc and nickel, dropped from 3.6 million in 1989 to 2.3 million tonnes in 1990. The general cargo sector also suffered from the effects of recession; the export of newsprint, in particular, decreased to 152,000 tonnes, compared to 184,000 tonnes in 1989.

On a positive note, 1990 was a record year for cruise vessels, with 81 calls for a total of 35,000 passengers.

### A Promising Future

In order to take full advantage of its deep-water facilities at Beauport, the Port of Québec has invested \$15 million to reorganize the sector and to increase the productivity of its bulk transshipment terminal.

At the design level, the project is based on the principle used by self-unloading ships; ocean-going vessels will be unloaded at a speed independent of onshore equipment, thus allowing for a reduction of time in port. Direct ship-to-ship cargo transfer will also be possible after the opening of the new terminal in the spring of 1991. The investment will reduce dust emissions on the site by 50 percent.

The grain terminal, managed by Bunge of Canada, is one of the most efficient export centres in North America. Québec is in a good position to contribute to the growth of Canadian grain exports, in particular to the countries of eastern Europe. The future looks promising for the Port of Québec in its position as a leading bulk transshipment port on the St. Lawrence.

In addition, the port is continuing its efforts to establish a container terminal at Québec. The construction of deep-draft container vessels will be of benefit to this project in the coming years.

We are pleased to announce to our shareholder that the necessary monitoring measures have been taken in order to meet the objectives of the Corporation and to safeguard its assets. A major preventive maintenance program was introduced for all port facilities during 1990.

In summary, we wish to applaud the outstanding efforts of Corporation employees and companies working with the Port of Québec. Thanks to their support, the Port of Québec will continue to progress during the 1990s.

Guy Boulanger, f.c.a.  
Chairman of the Board

Ross Gaudreault  
President and Chief Executive Officer



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1990 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.



**Chartered Accountants**

Québec, Quebec  
February 8, 1991

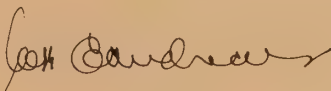
## Balance Sheet as at December 31

Assets	1990	1989
Current Assets		
Cash	\$ 806,291	\$ 403,424
Investments (note 1)	1,909,823	21,464,555
Accounts receivable	2,505,927	1,875,204
Materials and supplies	153,864	142,038
	5,375,905	23,885,221
Investments (note 1)	6,729,236	6,702,891
Fixed assets (note 2)	55,701,730	41,490,002
	\$ 67,806,871	\$ 72,078,114
<b>Liabilities and Equity of Canada</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,530,662	\$ 1,749,375
Contribution payable to Canada	5,665,000	-
Grants in lieu of municipal taxes	185,654	664,000
Deferred revenues	850,172	817,416
	10,231,488	3,230,791
Long-Term		
Accrued employee benefits	971,700	890,000
Equity of Canada		
Contributed capital	51,852,198	63,182,198
Surplus	4,751,485	4,775,125
	56,603,683	67,957,323
	\$ 67,806,871	\$ 72,078,114
Contingencies (note 5)		
Commitments (note 6)		

On behalf of the Board:



Guy Boulanger, f.c.a.  
Chairman



Ross Gaudreault  
President and Chief Executive Officer



## Statement of Income

year ended December 31	1990	1989
Revenue from operations	\$ 11,460,609	\$ 11,313,942
Expenses		
Operating and administrative	10,692,721	9,713,793
Depreciation	2,173,736	2,055,558
Grants in lieu of municipal taxes	865,496	1,149,559
	13,731,953	12,918,910
Loss from operations	(2,271,344)	(1,604,968)
Investment income	2,169,951	2,899,549
Net income (loss) before unusual items	(101,393)	1,294,581
Gain in settlement of grants in lieu of municipal taxes	157,211	-
Gain in settlement of past litigations	-	381,052
	157,211	381,052
Net Income	\$ 55,818	\$ 1,675,633

## Statement of Contributed Capital

year ended December 31	1990	1989
Balance at beginning of year	\$ 63,182,198	\$ 63,182,198
Contribution to Canada	(11,330,000)	-
Balance at end of year	\$ 51,852,198	\$ 63,182,198

## Statement of Surplus

year ended December 31	1990	1989
Surplus at beginning of year	\$ 4,775,125	\$ 3,179,492
Net income	55,818	1,675,633
Dividend to Canada	(79,458)	(80,000)
Surplus at end of year	\$ 4,751,485	\$ 4,775,125

## Statement of Changes in Financial Position

year ended December 31	1990	1989
Cash provided by (used for):		
Operations		
Net income	\$ 55,818	\$ 1,675,633
Items not affecting cash		
Amortization of discount on Canada Government bonds	(26,345)	(26,345)
Depreciation	2,173,736	2,055,558
Loss (gain) on disposal of fixed assets	(36,443)	55,075
Accrued employee benefits	81,700	79,800
	2,248,466	3,839,721
Changes in non-cash operating working capital (note 3)	6,358,148	851,649
	8,606,614	4,691,370
Investment		
Additions to fixed assets	(16,414,650)	(1,308,195)
Proceeds from disposal of fixed assets	65,629	45,546
	(16,349,021)	(1,262,649)
Financing		
Contribution to Canada	(11,330,000)	-
Dividend to Canada	(79,458)	(80,000)
	(11,409,458)	(80,000)
Increase (decrease) in cash position	(19,151,865)	3,348,721
Cash position at beginning of year	21,867,979	18,519,258
Cash position at end of year	\$ 2,716,114	\$ 21,867,979
Cash position is represented by:		
Cash	\$ 806,291	\$ 403,424
Investments	1,909,823	21,464,555
	\$ 2,716,114	\$ 21,867,979



## Notes to Financial Statements

year ended December 31, 1990

### General

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*.

The Corporation is exempt from income tax.

### Summary of Significant Accounting Policies

#### (a) Investments

Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premiums or discounts are amortized over the periods to maturity.

#### (b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5 – 6.7 %
Berthing structures	2.5 – 10 %
Buildings	2.5 – 10 %
Utilities	3.3 – 10 %
Roads and surfaces	2.5 – 10 %
Machinery and equipment	5 – 20 %
Office furniture and equipment	20 %

#### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both

the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (d) Insurance

The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

#### (e) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (f) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

### 1. Investments

Investments, which are direct securities guaranteed by Canada, are as follows:

	1990		1989	
	Cost	Market Value	Cost	Market Value
Current	\$ 1,909,823	\$ 1,909,588	\$ 21,464,555	\$ 21,411,038
Long-term	\$ 6,729,236	\$ 7,176,618	\$ 6,702,891	\$ 7,520,074

### 2. Fixed Assets

	1990		1989	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 11,098,253	\$ –	\$ 11,098,253	\$ 11,098,253
Dredging	4,561,341	4,007,429	553,912	581,972
Berthing structures	23,167,788	17,494,638	5,673,150	5,800,251
Buildings	33,782,474	16,130,160	17,652,314	18,350,800
Utilities	3,839,101	2,404,838	1,434,263	1,431,895
Roads and surfaces	6,046,395	4,227,977	1,818,418	2,003,653
Machinery and equipment	794,948	357,628	437,320	222,344
Office furniture and equipment	1,713,401	783,088	930,313	346,757
Projects under construction	16,103,787	–	16,103,787	1,654,077
	\$101,107,488	\$ 45,405,758	\$ 55,701,730	\$ 41,490,002



### 3. Changes in Non-Cash Operating Working Capital

	1990	1989
Accounts receivable	\$ (630,723)	\$ 780,369
Materials and supplies	(11,826)	(10,182)
Accounts payable and accrued liabilities	1,781,287	(206,576)
Contribution payable to Canada	5,665,000	—
Grants in lieu of municipal taxes	(478,346)	265,800
Deferred revenues	32,756	22,238
	<b>\$ 6,358,148</b>	<b>\$ 851,649</b>

### 4. Related Party Transactions

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues of \$878,000 in 1990 from related entities (\$577,000 in 1989). The expenses paid to related parties mainly consist in reimbursements of \$803,000 (\$696,000 in 1989) to Canada Ports

Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of \$2,170,000 (\$2,900,000 in 1989) on Government of Canada securities.

The Corporation has accounts payable of \$281,000 (\$99,000 in 1989) and accounts receivable of \$64,000 (\$271,000 in 1989) with the same related parties.

### 5. Contingencies

Claims aggregating approximately \$1,000,000 have been received by the Corporation in respect to lawsuits and various other matters in dispute. In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

In addition, claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

### 6. Commitments

The Corporation has made commitments totalling approximately \$1,300,000 of which \$33,000 have been expensed as at December 31, 1990, pertaining to the restoration of the main

cereal terminal in 1991. In addition, funds committed for fixed assets projects in 1990, but not yet disbursed, amounted to approximately \$1,000,000 as at December 31, 1990.

## Board of Directors

**Guy Boulanger, f.c.a. \***  
Chairman  
Partner  
Caron Bélanger Ernst & Young  
Québec, Que.

**Raymond Stuart McBain \***  
Vice-Chairman  
President  
Ver-Mac Inc.  
Sainte-Foy, Que.

**Denise Rancourt-Bélanger**  
Lawyer  
Lévis, Que.

**Yvon Dolbec**  
President  
Dolbec Y. Logistique Int'l inc.  
Sainte-Foy, Que.

**Claude Gagné\***  
Sales Representative  
Toshiba of Canada Ltd.  
Vanier, Que.

**Roméo Savard**  
Foreman  
International Longshoremen's Association  
Québec, Que.

**André Sarasin**  
Senior Vice-President  
Engineering and Development  
Les produits forestiers Daishowa  
Québec, Que.

\* Member of the Executive Committee

## Officers of the Corporation

**Guy Boulanger, f.c.a.**  
Chairman  
**Ross Gaudreault**  
President and Chief Executive Officer

**Louis-Philippe Cormier**  
Director, Administration

**Mario Bernard**  
Director, Finance

**Yvon Bureau**  
Director, Operations

**Marc Dulude**  
Director, Marketing

**Raymond Leclerc**  
Director, Engineering and Maintenance

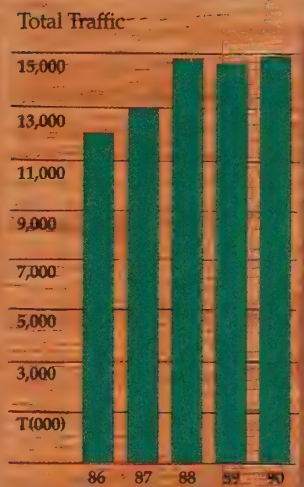
**André Boulet**  
Director, Police

**Dave Johanson**  
Director, Promotion

**Gary Q. Ouellet, c.r.**  
Corporate Secretary



# Saint John Port Corporation





## Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer



Harry P. Gaunce



Kenneth R. Krauter

The Saint John Port Corporation is pleased to submit its annual report on the accomplishments of 1990. The Corporation continued progress on strengthening the position of the Port of Saint John as a major transportation centre. Financial self-sufficiency was maintained and increased expenditures were made in redeveloping the port's cargo handling facilities. Concerted marketing efforts are bringing results in developing new business opportunities, and partnership relationships with key organizations in the port and the community are contributing to improved performance.

Revenue from port operations increased to a record level of \$11.8 million. Operating expenses increased predominantly due to greater expenditures on improvements and maintenance of the port facilities and the write-off of outmoded facilities. The Corporation is again able to report a positive income from operations as well as a positive net income for the year. The Government of Canada has provided some measure of financial relief to the Corporation through the provision of an interest holiday on a portion of our federal debt. This action is a significant measure in contributing to the financial health of the Corporation, as well as assisting the port in continuing its cargo facilities redevelopment program.

Almost 15 million tonnes of cargo moved through the port which was a modest increase over 1989 traffic levels. Notable changes in the traffic mix included a 12 percent increase in potash shipments to 1.5 million tonnes. Forest products traffic declined by 10 percent to 740,000 tonnes principally due to softening of international markets. Three shipping lines selected Saint John as a port-of-call thereby increasing shipping services from the port to Africa and to the Caribbean. Increasing calls by cruise lines are making an important contribution to the local tourism industry.

Expenditures on capital and maintenance projects exceeded \$3.2 million. Projects such as repairs to berth faces, painting of sheds, paving of open areas, and demolition of outmoded facilities contribute to providing better quality cargo-handling facilities for port customers.

In accordance with our statutory obligation, we are pleased to inform the Board of Directors and the shareholder that the Corporation made measurable progress in achieving its objectives. We can give assurances that necessary measures are in place to ensure the safeguard of the Corporation's assets. A Special Examination Audit was undertaken in 1990 in accordance with the *Financial Administration Act*, and we are pleased to report that the Corporation

received an unqualified opinion on economy, efficiency and effectiveness.

Effective consultation with many stakeholders in the port is important to the achievement of compatible growth and development. The Corporation has expanded its commitment to consultation and teamwork. A committee with representation from the Maritime Employers Association, the International Longshoremen's Association, the Waterfront Council and the Corporation, has been formed to provide a forum for the discussion of current port operations and business development opportunities. In addition, the City of Saint John and the Corporation have formed a committee to coordinate planning in areas of mutual interest. The environmental consequences of port activities and cargo-handling operations are now being actively considered by an Environmental Consultation Committee which includes representation from the federal, provincial and municipal governments.

The accomplishments of the Corporation during the past year were made possible by the commitment and dedication of the Corporation's employees and by all those people who work in the Port of Saint John. It is through their contribution that we are able to report on the progress which is outlined in this report. To our many customers, particularly shippers and shipping lines, we are most appreciative of your continued support and share with all members of the port community our desire to serve you well in the coming year. The continued support of the City of Saint John and the Province of New Brunswick is appreciated.

We look forward to the challenges of the coming year and the opportunity to report on further progress of the Saint John Port Corporation.

Harry P. Gaunce  
Chairman of the Board

Kenneth R. Krauter  
General Manager and Chief Executive Officer



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1990 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Ernst & Young*

Chartered Accountants

Saint John, New Brunswick  
February 8, 1991

## Balance Sheet as at December 31, 1990

(in thousands of dollars)

Assets	1990	1989
Current		
Cash	\$ -	\$ 7
Investments (note 3)	13,386	11,419
Accounts receivable	1,182	1,327
Materials and supplies	28	45
	<u>14,596</u>	<u>12,798</u>
Long-term		
Long-term investments (note 3)	962	959
Fixed assets (note 4)	76,503	78,317
	<u>77,465</u>	<u>79,276</u>
Total assets	<u>\$ 92,061</u>	<u>\$ 92,074</u>
Liabilities and Equity of Canada		
Current		
Bank indebtedness	\$ 50	\$ -
Accounts payable and accrued charges	1,760	1,110
Deferred revenues	521	378
Grants in lieu of municipal taxes	40	84
Due to Canada (note 5)	2,455	-
Current portion of deferred interest contribution	623	-
	<u>5,449</u>	<u>1,572</u>
Long-term		
Loans from Canada (note 6)	20,052	20,052
Financing provided by a province (note 7)	19,696	19,696
Accrued employee benefits	481	425
Deferred interest contribution (note 8)	708	-
	<u>40,937</u>	<u>40,173</u>
	<u>46,386</u>	<u>41,745</u>
Equity of Canada		
Contributed capital (note 5)	44,462	49,372
Retained earnings	1,213	957
	<u>45,675</u>	<u>50,329</u>
Total liabilities and equity of Canada	<u>\$ 92,061</u>	<u>\$ 92,074</u>

On behalf of the Board:

*Harry P. Gaunce*

Harry P. Gaunce  
Chairman

*K. R. Krauter*

Kenneth R. Krauter  
General Manager and Chief Executive Officer



## Statement of Income and Retained Earnings

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Revenues from operations	\$ 11,882	\$ 11,477
Expenses		
Operating and administrative	7,787	6,841
Grants in lieu of municipal taxes	587	754
Depreciation	2,585	2,696
Loss on disposal of fixed assets	745	98
	11,704	10,389
Income from operations	178	1,088
Investment income	1,668	1,501
Interest expense (note 8)	(1,590)	(2,363)
Net income	256	226
Retained earnings, beginning of year	957	731
Retained earnings, end of year	\$ 1,213	\$ 957



## Statement of Cash Flows

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Cash provided by (used in)		
Operations		
Net income	\$ 256	\$ 226
Add items not requiring a cash payment		
Depreciation	2,585	2,696
Loss on disposal of fixed assets	745	98
Other	53	25
	3,639	3,045
Net change in non-cash working capital balances (note 9)	911	486
	4,550	3,531
Financing		
Contribution to Canada	(4,910)	—
Due to Canada	2,455	—
Deferred interest contribution	1,331	—
	(1,124)	—
Investing		
Additions to fixed assets	(1,550)	(1,152)
Proceeds on disposal of fixed assets	34	—
	(1,516)	(1,152)
Increase in cash	1,910	2,379
Cash position, beginning of year	11,426	9,047
Cash position, end of year	\$ 13,336	\$ 11,426

Cash position consists of cash, short-term investments  
and bank indebtedness.



## Notes to Financial Statements

year ended December 31, 1990

### 1. Canada Ports Corporation Act and Incorporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation - Port of Saint John.

### 2. Significant Accounting Policies

#### (a) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

#### (b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Assets	Depreciation Rates (%)
Dredging	2.5 - 6.7 %
Berthing structures	2.5 - 10.0 %
Buildings	2.5 - 10.0 %
Utilities	3.3 - 10.0 %
Roads and surfaces	2.5 - 10.0 %
Machinery and equipment	5.0 - 100.0 %
Office furniture and equipment	20.0 %

#### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

#### (d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

#### (e) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

### 3. Investments

Investments are direct and guaranteed securities of Canada as follows:

	(in thousands of dollars)			
	1990		1989	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$ 13,386	\$ 14,009	\$ 11,419	\$ 12,013
Canada Bonds	\$ 962	\$ 1,000	\$ 959	\$ 1,000



#### 4. Fixed Assets

(in thousands of dollars)

			1990	1989
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 30,426	\$ —	\$ 30,426	\$ 30,426
Dredging	1,967	1,516	451	469
Berthing structures	63,803	30,496	33,307	34,575
Buildings	13,897	7,712	6,185	7,106
Utilities	7,733	4,013	3,720	4,028
Roads and surfaces	5,345	4,528	817	1,035
Machinery and equipment	1,796	1,607	189	170
Office furniture and equipment	1,222	940	282	352
Work under construction	1,126	—	1,126	156
	\$ 127,315	\$ 50,812	\$ 76,503	\$ 78,317

#### 5. Contributed Capital

(in thousands of dollars)

	1990	1989
Contributed capital, beginning of year	\$ 49,372	\$ 49,372
Contribution to Canada	(4,910)	—
Contributed capital, end of year	\$ 44,462	\$ 49,372

During the year the Federal Government required payment of \$4.91 million from the Corporation as a contribution toward the Federal Government deficit reduction.

At December 31, 1990 \$2.455 million was outstanding, and was paid in early 1991.

#### 6. Loans from Canada

(in thousands of dollars)

	1990	1989
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	\$ 20,052	\$ 20,052

#### 7. Financing Provided by a Province

The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been

included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1990 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately \$1,109,000.

#### 8. Deferred Interest Contribution

During the year the Federal Government advanced the Corporation \$2,000,000 to offset interest payments in 1990, 1991 and 1992 on the \$6,665,000 debt owed to the Federal Government with respect to Rodney Terminal.

The original amount of the advance plus the interest earned will be available to fund interest payments required over the three year period. The anticipated interest payments will be

\$2,485,500. The defined interest credits will be absorbed on a straight line basis over the period. The funds on hand at December 31, 1990, \$1,331,000, are available to reduce interest expense in 1991 and 1992. Interest expense for 1990 was reduced by approximately \$773,000 as a result of the application of the deferred credit.



## 9. Net Change in Non-Cash Working Capital Balances

	(in thousands of dollars)	
	1990	1989
Decrease (increase) in current assets		
Accounts receivable	\$ 145	\$ 185
Materials and supplies	17	1
	162	186
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	650	220
Deferred revenues	143	99
Grants in lieu of municipal taxes	(44)	(19)
	749	300
	\$ 911	\$ 486

## 10. Related Party Transactions

During the year the Corporation paid \$803,000 (1989 - \$696,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

## 11. Comparative Figures

Certain of the 1989 figures have been reclassified to conform with the statement presentation adopted for the current year

## Board of Directors

**Harry P. Gaunce \***  
Chairman  
President  
Armstrong & Bruce Insurance Limited  
Saint John, N.B.

**Henry Meinhardt \*/\*\***  
Vice-Chairman  
President  
Fundy Ventilation Ltd.  
Saint John, N.B.

**Edgar R. Cohen \*\*\***  
Owner  
Hoffman's Limited  
Saint John, N.B.

**Fernand Lanteigne \*\*\***  
Owner/General Manager  
Les Chantiers Nord-Est Ltee  
Société du cable de la Péninsule  
Caraquet, N.B.

**David R. MacPherson \*\***  
President and Business Manager  
IBEW, Local 502  
Saint John, N.B.

**Shirley A. McAlary \*/\*\***  
Agent  
Air Canada  
Saint John, N.B.

**Robert M. Scott \*\*\***  
Owner  
R. M. Scott Insurance Agency Ltd.  
Saint John, N.B.

\* Executive Committee  
\*\* Human Resources and Compensation Committee  
\*\*\* Audit Committee

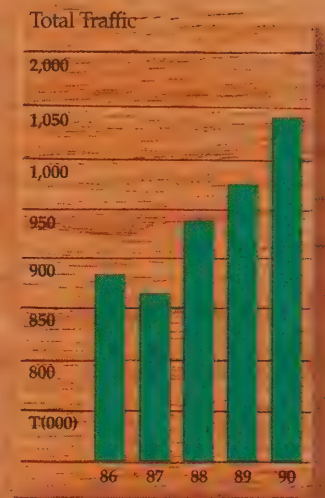
## Officers of the Corporation

**Harry P. Gaunce**  
Chairman  
  
**Henry Meinhardt**  
Vice-Chairman  
  
**Kenneth R. Krauter**  
General Manager and Chief Executive Officer

**R. Adam McBride**  
Assistant General Manager  
  
**Peter D. Clark**  
Director, Marketing  
  
**Ardith L. Bartlett**  
Corporate Secretary



# St. John's Port Corporation





## Joint Message from the Chairman of the Board and the Port Manager and Chief Executive Officer



Fred M. Milley



David J. Fox, P.Eng

The year 1990 was a busy one for the St. John's Port Corporation. The Container Terminal Expansion Program outlined in our 1989 report was completed and, as of August 7 and November 1, 1990, the additional properties were under lease to the terminal operator — Newterm Limited.

Total vessel arrivals for the year decreased by 6 percent, but tonnage through the port at 1.04 million tonnes was an increase of 7 percent over 1989. Container tonnage at the terminal increased by 2.2 percent. Since 1986, container tonnage has increased by 60 percent and this justifies the investment and expansion program at the terminal.

Net income of \$738,000 was in excess of the port's budget and exceeded 1989 results by 70 percent.

Small vessel activity — up to 65 feet (l.o.a), showed a large increase in 1990 with these fishermen operating out of the port. Over 200 such vessels landed some 60 million pounds of fish at the Marginal Wharf. This was a welcome activity which contributed to our positive financial results.

In accordance with the port's statutory obligation, we are pleased to inform the Board of Directors, and the shareholder, that all necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets and to achieve our corporate objectives.

Planned capital improvements in 1991 include structural improvements at Pier 17, at an estimated cost of \$1 million. This facility was constructed by the United States military in the early 1940s and major improvements are now required to concrete beams, deck and steel pile caissons in order to extend its useful life requirement for continued port operations.

Newterm Limited, the Container Terminal Operator, requires a new building complex for equipment maintenance and we are endeavouring to meet this requirement. This is contingent upon the Corporation acquiring from Transport Canada additional land west of the Main Terminal within the former railway properties. Discussions with Transport Canada are ongoing regarding the acquisition of additional property under their jurisdiction for this requirement. Preliminary cost estimates for this proposed maintenance garage development project is \$1.7 million. Newterm Limited has also indicated that if a new maintenance building complex is constructed, consideration will then be given to including a container repair depot in order to facilitate repairs to some of the 90,000 TEUs passing through this container complex from time-to-time.

The economic outlook for the province is more optimistic than last year due to the agreement for the development of the Hibernia offshore oil field. Nevertheless, serious economic problems still exist as a result of continuing problems in the fishing industry. High unemployment is expected to continue with the announcement of restraint and cutbacks by the provincial government. The impact of the Hibernia development is expected to show a greater impact by 1992 and estimates indicate a growth of 3.5 percent in that year.

In spite of present day problems, the Corporation expects to achieve the growth forecast in the five-year plan. Present indications are that offshore exploration will possibly start up again later this year but, if not, then certainly in early 1992. We expect the offshore oil supply vessel activity to once again operate out of St. John's creating increased port servicing activity.

As the plan for offshore petroleum production develops, we will be very active promoting the port as the supply centre for all such ongoing activities. The original industrial production study indicated that St. John's Harbour would be the supply base and, in this event, it may be necessary to update the planned expansion which we anticipate will be required within the Pier 17 area. We are very optimistic that St. John's will be the base of operations and, if this proves to be the case, activity in the port will certainly show a considerable increase.

Many challenges lie ahead but, with the continued dedication of our employees and the support of the port community, the port feels that positive and satisfying results will be the outcome of meeting these challenges.

The Board wishes therefore to thank all staff members for the contribution made to the Corporation and, with the continued team approach that was very evident throughout the year, the Board is confident it will be able to meet the objectives presented to the shareholder.

Fred M. Milley  
Chairman of the Board

David J. Fox, P.Eng  
Port Manager and Chief Executive Officer



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of the St. John's Port Corporation as at December 31, 1990, and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Doane Raymond*

Chartered Accountants

St. John's, Newfoundland  
February 6, 1991

## Balance Sheet as at December 31, 1990

Assets	1990	1989
Current		
Cash	\$ 29,289	\$ 1,834
Investments (Note 3)	2,495,892	1,311,118
Accounts receivable	528,987	370,777
Due from Canada	66,000	75,095
	3,120,168	1,758,824
Fixed (Note 4)	14,134,876	14,784,522
	<u>\$ 17,255,044</u>	<u>\$ 16,543,346</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 377,493	\$ 250,346
Grants in lieu of municipal taxes	47,104	46,375
Deferred revenues	337,911	301,238
Current portion of loans from Canada	241,331	220,036
	1,003,839	817,995
Accrued employee benefits	121,160	91,491
Loans from Canada (Note 5)	2,670,795	2,912,126
	<u>3,795,794</u>	<u>3,821,612</u>
Equity of Canada		
Contributed capital	10,131,636	10,131,636
Surplus	3,327,614	2,590,098
	13,459,250	12,721,734
	<u>\$ 17,255,044</u>	<u>\$ 16,543,346</u>

Contingencies (Note 6)

On behalf of the Board:

*Fred M. Milley*

Fred M. Milley  
Chairman

*D. J. Fox*

David J. Fox, P.Eng  
Port Manager and Chief Executive Officer



## Statement of Income and Surplus

year ended December 31, 1990	1990	1989
Revenue from operations	\$ 3,351,142	\$ 3,026,807
Operating and administrative expenses	1,619,361	1,637,620
Depreciation	889,114	781,964
Grants in lieu of municipal taxes	53,662	39,124
	2,562,137	2,458,708
Income from operations	789,005	568,099
Investment income	249,991	182,182
Interest expense	(301,480)	(320,894)
Net income	737,516	429,387
Surplus, beginning of year	2,590,098	2,160,711
Surplus, end of year	\$ 3,327,614	\$ 2,590,098

## Statement of Changes in Financial Position

year ended December 31, 1990	1990	1989
Cash provided from (used for):		
Operating activities		
Net income	\$ 737,516	\$ 429,387
Depreciation	889,114	781,964
Other non-cash items	29,669	(15,833)
	1,656,299	1,195,518
Changes in		
Accounts receivable	(158,210)	(9,593)
Due from Canada	9,095	(75,095)
Accounts payable and accrued liabilities	127,147	(526,343)
Grants in lieu of municipal taxes	729	(46,800)
Deferred revenues	36,673	22,542
Current portion of loans from Canada	21,295	19,414
	1,693,028	579,643
Financing activities		
Capital grants	1,324,905	2,075,095
Loans from Canada	(241,331)	(220,036)
	1,083,574	1,855,059
Investing activities		
Proceeds on disposals of fixed assets	8,335	-
Purchase of fixed assets	(1,572,708)	(3,077,986)
	(1,564,373)	(3,077,986)
Net cash provided (used)	1,212,229	(643,284)
Cash and short term investments, beginning of year	1,312,952	1,956,236
Cash and short term investments, end of year	\$ 2,525,181	\$ 1,312,952



## Notes to Financial Statements

year ended December 31, 1990

1.

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of St. John's to the St. John's Port Corporation.

## 2. Significant Accounting Policies

### (a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

### (b) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.

### (c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both

the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

### (d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

### (e) Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

## 3. Investments

	1990		1989	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$ 2,495,892	\$ 2,532,400	\$ 1,311,118	\$ 1,324,100

## 4. Fixed Assets

		1990		1989	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	—	\$ 4,735,248	\$ —	\$ 4,735,248	\$ 4,643,700
Berthing structures	2.5 – 10%	9,521,795	5,830,191	3,691,604	3,886,220
Buildings	2.5 – 10%	1,912,791	1,320,048	592,743	640,122
Utilities	3.3 – 10%	3,104,583	948,962	2,155,621	2,305,995
Roads and surfaces	2.5 – 10%	4,056,498	1,525,300	2,531,198	2,942,618
Machinery and equipment	5 – 100%	307,646	115,429	192,217	202,770
Office furniture and equipment	20%	224,567	156,066	68,501	60,175
Projects under construction	—	167,744	—	167,744	102,922
		\$ 24,030,872	\$ 9,895,996	\$ 14,134,876	\$ 14,784,522



## 5. Loans from Canada

	1990	1989
Term loans, bearing interest at 9.33% to 10.015%, maturing between 1997 and 2000, repayable in equal annual instalments of principal and interest of \$521,516.	\$ 2,912,126	\$ 3,132,162
Principal instalments payable within one year	241,331	220,036
	<b>\$ 2,670,795</b>	<b>\$ 2,912,126</b>

The loans from Canada are unsecured.

Annual principal repayments in each of the next five years are as follows:  
1991 — \$241,331; 1992 — \$264,689; 1993 — \$290,309;  
1994 — \$318,412; 1995 — \$349,238.

## 6. Contingent Liabilities

Claims aggregating approximately \$364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation.

The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

## 7. Related Party Transactions

During the year, the Corporation received advances on a capital grant from the federal government in the amount of \$1,334,000. The remaining grant of \$66,000 will be advanced to the Corporation in 1991.

During the year the Corporation paid \$222,512 (1989 - \$193,008) to Canada Ports Corporation as its share of that Corporation's head office expense.

## Board of Directors

**Fred M. Milley \*/\*\***

Chairman  
St. John's, Nfld.

**Faith Good \*/\*\***

Vice Chairman  
St. John's, Nfld.

**Tom Osborne \*\*\***

Owner  
Tom Osborne Real Estate  
St. John's, Nfld.

**Paul Reynolds \*\*\***

Specialist-Business Development  
Ultramar Canada Inc.  
St. John's, Nfld.

**Michael Walsh \*/\*\***

General Chairman  
Transportation Communication International Union  
(Retired)  
St. John's, Nfld.

**Thomas Doyle \*/\*\***

Sales Associate  
Royal LePage Real Estate Services Ltd.  
St. John's, Nfld.

**Arthur Puddister \*\*\***

Manager  
Puddister Trading Company  
St. John's, Nfld.

\* Executive Committee

\*\* Executive and Compensation Committee

\*\*\* Audit Committee

## Officers of the Corporation

**Fred M. Milley**

Chairman

**Faith Good**

Vice-Chairman

**David J. Fox, P.Eng**

Port Manager and Chief Executive Officer

**Brian Scott**

Manager, Finance and Administration

**Captain Henry Flight**

Harbour Master

**Keith F. Rose**

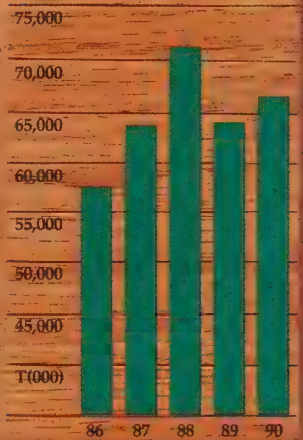
Corporate Secretary



# Vancouver Port Corporation



Total Traffic





## Joint Message from the Chairman of the Board and the Port Manager and Chief Executive Officer



Captain Hector D. Perry



Captain Norman C. Stark

The beginning of the new decade marked the start of several important new initiatives for the Port of Vancouver. In addition to traditional import/export priorities — environmental issues, municipal relations and land management planning gained greater prominence in the business profile of the Vancouver Port Corporation (VPC).

To buttress VPC's position relative to competitive pressures, and such "new century" issues as the environment, urban encroachment and public process, the Corporation realigned its management structure into three divisions — operations, management services and business development.

Among the highlights for the Corporation in 1990 was the introduction of "PORT 2010" — VPC's long-range Land Use/Land Management Planning Program. Extensive all-sector consultation began, seeking input in such disciplines as cargo forecasts, capacity, environment and public process. It will culminate in a strategic and dynamic plan for the development of the Port of Vancouver into the 21st century.

VPC established Canada's first port environmental services office, which took on a number of projects — among them, ongoing cargo handling assessments and a detailed analysis of the risks associated with tanker and tanker-barge traffic in Burrard Inlet.

Improving relations between VPC and its neighbouring municipalities were evidenced by an agreement reached on a shared fire protection plan for Burrard Inlet — spearheaded by the VPC-chaired Port-Municipal Liaison Committee, which gained momentum and scope throughout the year.

On the cargo side, strong performances in all sectors pushed port tonnage to 66.4 million tonnes — its second highest total. Bulk products accounted for 86 percent of total throughput. Coal continued as the port's leading export, posting a 23.4 million tonne total, a slight decrease from 1989's record figure.

1990 grain tonnages rebounded from the previous year's drought-induced slump. Exports of Alberta sulphur regained momentum posting a 7 percent increase over 1989's downturn prompted by an international trading dispute. Saskatchewan potash shipments climbed 12 percent, but fell short of 1988's record throughput.

Forest products continued to dominate the general cargo picture which maintained a 10 percent share of total port tonnage. Lumber and pulp shipments held steady in the face of such factors as price fluctuation and slackening demand.

Buoyed by increased liner capacity and continuing strong demand for Canadian exports, container traffic climbed to a new high of 322,569 TEUs — an increase of 5.6 percent over 1989.

In the cruise sector, 1990 was a very exciting year for the Port of Vancouver. "CRUISE-A-THON" — a semi-annual cruise conference and trade show — was held in Vancouver, drawing travel industry representatives from across North America, and focusing unprecedented attention on Vancouver as a cruise port and vacation destination.

The port also enjoyed its eighth consecutive record cruise season, welcoming 228 sailings and 388,323 revenue passengers — 16 percent higher than the 1989 total.

The 1990 cargo and cruise statistics translated into a solid financial showing by the Corporation. Net income increased to \$30 million from \$28.4 million in 1989. Capital investments totalled \$11 million and included the completion of a specialized warehouse doubling covered storage space at the Lynnterm forest products terminal and a variety of intermodal improvements to the Vanterm container terminal.

Leadership changes occurred at VPC during the latter part of 1990, with the November appointment of Captain Norman Stark as Port Manager and Chief Executive Officer — and in December, the naming of Patrick Reid as Chairman of the Board. Thanks and recognition from all sectors of the marine industry were accorded Francis MacNaughton on his retirement as Port Manager and Captain Hector Perry on the completion of his term as Chairman.

Each year, the business of Canada's largest port grows more complex. As "new century" realities unfold, VPC's skilled and innovative staff stand ready to get the job done for all Canadians.

Captain Hector D. Perry  
Chairman of the Board

Captain Norman C. Stark  
Port Manager and Chief Executive Officer



## Auditors' Report

To the Honourable Doug Lewis, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Vancouver Port Corporation as at December 31, 1990 and the statements of income and retained earnings and changes in cash resources for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations and the charter and by-laws of the Corporation.

*Paul Merwick Thorne*

Chartered Accountants

Vancouver, British Columbia  
January 30, 1991

## Balance Sheet as at December 31, 1990

(in thousands of dollars)

Assets	1990	1989
Current Assets		
Cash	\$ 529	\$ 272
Investments (note 1)	89,123	89,796
Accounts receivable	9,387	6,894
Materials and supplies	364	417
	<u>99,403</u>	<u>97,379</u>
Long-term receivables (note 2)	6,264	6,702
Property and equipment (note 3)	202,214	199,283
	<u>\$ 307,881</u>	<u>\$ 303,364</u>

### Liabilities and Equity of Canada

Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,639	\$ 4,533
Special payment to Canada (note 6)	17,865	—
Grants in lieu of municipal taxes	4,631	3,823
Deferred revenues	2,890	2,403
	<u>29,025</u>	<u>10,759</u>
Accrued employee benefits	1,427	1,271
Loan from Canada (note 4)	3,256	3,504
	<u>33,708</u>	<u>15,534</u>
Equity of Canada		
Contributed capital	88,273	88,273
Retained earnings (note 6)	185,900	199,557
	<u>274,173</u>	<u>287,830</u>
	<u>\$ 307,881</u>	<u>\$ 303,364</u>

Contingencies (note 5)

On behalf of the Board:

*Patrick Reid*

Patrick Reid, O.C.  
Chairman

*Colin B. Warner*

Colin B. Warner, C.A.  
Director



## Statement of Income and Retained Earnings

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Operating revenue	\$ 57,904	\$ 52,390
Expenses		
Operating and administrative expenses	24,231	20,823
Grants in lieu of municipal taxes	5,926	5,461
Depreciation	7,864	7,273
	38,021	33,557
Income from operations	19,883	18,833
Investment income	10,644	9,820
Interest expense	(297)	(296)
	10,347	9,524
Net income	30,230	28,357
Retained earnings, beginning of year	199,557	179,275
	229,787	207,632
Special payment to Canada (note 6)	(35,730)	—
Dividend payment to Canada	(8,157)	(8,075)
Retained earnings, end of year	\$ 185,900	\$ 199,557

## Statement of Changes in Cash Resources

(in thousands of dollars)

year ended December 31, 1990	1990	1989
Cash provided by (used for):		
Operations		
Net income	\$ 30,230	\$ 28,357
Items not involving cash		
Depreciation	7,864	7,273
Other	328	730
Changes in non-cash operating working capital	15,826	(6,784)
	54,248	29,576
Financing		
Loan from Canada currently payable	(248)	(230)
Dividend payment to Canada	(8,157)	(8,075)
Special payment to Canada	(35,730)	—
	(44,135)	(8,305)
Investments		
Additions to property and equipment	(11,021)	(19,704)
Other	492	434
	(10,529)	(19,270)
Increase (decrease) in cash resources	(416)	2,001
Cash resources, beginning of year	90,068	88,067
Cash resources, end of year	\$ 89,652	\$ 90,068

Cash resources are defined to include cash and investments.



## Notes to Financial Statements

year ended December 31, 1990

The Vancouver Port Corporation was established effective July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act* and is a parent Crown corporation named in Schedule III, Part II of the *Financial Administration Act*. The Corporation is exempt from income taxes.

The Corporation's mission is to facilitate the efficient movement of maritime imports and exports through the Port of Vancouver in the best interest of Canadians.

### Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

#### (a) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	5 years

#### (b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

#### (c) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

#### (d) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

### 1. Investments

Current investments are in Government of Canada treasury bills and at December 31, 1990 and 1989 the market value of

the treasury bills approximated carrying value.

### 2. Long-term Receivables

	(in thousands of dollars)	
	1990	1989
Non-interest-bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	\$ 3,947	\$ 3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6-5/8% per annum, payable in blended annual instalments of \$462,916, maturing December 31, 1996	2,232	2,528
Less current portion	(315)	(296)
	1,917	2,232
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5-3/4% per annum, payable in annual instalments of \$117,720 plus interest, maturing August 1, 1994	471	589
Less current portion	(118)	(118)
	353	471
Other	47	52
	\$ 6,264	\$ 6,702

### 3. Property and Equipment

	(in thousands of dollars)			
	1990		1989	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 77,224	\$ —	\$ 77,224	\$ 77,124
Dredging	366	213	153	165
Berthing structures	61,313	26,967	34,346	28,113
Buildings	49,189	11,922	37,267	32,442
Utilities	15,347	6,920	8,427	8,178
Roads and surfaces	33,884	20,502	13,382	13,745
Machinery and equipment	41,604	14,408	27,196	27,615
Office furniture and equipment	3,286	2,140	1,146	1,152
Projects under construction	3,073	—	3,073	10,749
	\$ 285,286	\$ 83,072	\$ 202,214	\$ 199,283



#### 4. Loan from Canada

(in thousands of dollars)

	1990	1989
Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	\$ 3,504	\$ 3,734
Less current portion	(248)	(230)
	\$ 3,256	\$ 3,504
Principal repayment requirements over the next five years are as follows:		
	1991	1992
	\$ 248,000	\$ 266,000
	1993	1994
	\$ 286,000	\$ 308,000
	1995	
	\$ 331,000	
		\$ 1,439,000

#### 5. Contingencies

a) At December 31, 1990, the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$9.4 million greater than the amount accrued in the financial statements.

b) There are claims against the Corporation for \$9.9 million plus unspecified damages. The likelihood of these claims succeeding is not determinable.

c) Over a period of years, the Corporation has recorded revenues on certain leases which continue unresolved. The effect, if any, of the ultimate resolution of the matters referred to in points b and c above will be accounted for as a prior period adjustment when known.

#### 6. Related Party Transactions

In addition to the loan from Canada disclosed in note 4, the Corporation paid \$1,961,000 (1989, \$1,701,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

The Corporation received notice during the year from Canada Ports Corporation to make payments totalling \$35.73 million as part of the Federal Government's deficit reduction program announced in the February 20, 1990 budget. Half of this amount was paid in 1990, and the remainder will be paid in early 1991.

#### Board of Directors

**Captain Hector D. Perry**  
Chairman (retired December 20, 1990)  
Ganges, B.C.

**Patrick Reid, O.C. \***  
Chairman  
Vancouver, B.C.

**Jane Frost \*/\*\*/\***  
Vice Chairman  
Vancouver, B.C.

**Laurie G. Maranda \*\*/\***  
Vice President  
Choukalos, Woodburn, McKenzie, Maranda Ltd.  
Vancouver, B.C.

**Richard I. Nelson \*/\*\***  
Vancouver, B.C.

**Gary C.H. Short \*\*\*\***  
Vancouver, B.C.

**Rodney A. Snow \*/\*\***  
Barrister & Solicitor  
Davis & Co.  
Vancouver, B.C.

**Colin B. Warner \*\***  
Senior Vice President  
Weldwood of Canada Limited  
Vancouver, B.C.

\* Member, Executive Committee

\*\* Member, Audit Committee

\*\*\* Member, Economic Development and Community Relations Committee

\*\*\*\* Member, Planning and Budget Committee

#### Officers of the Corporation

**Patrick Reid, O.C.**  
Chairman

**Norman C. Stark**  
Port Manager and Chief Executive Officer

**Thomas A. Shortridge**  
Deputy Port Manager

**Donald G. Buggie**  
Assistant Port Manager,  
Management Services

**Robin B.L. Kimpton**  
Director, Legal Services  
and Corporate Secretary



# Corporate Directory

## Board of Directors

**The Honourable A.R. Huntington**  
Chairman  
Vancouver, B.C.

**William Marsh**  
Vice-Chairman  
Sydney, N.S.

**Jean Michel Tessier**  
President and  
Chief Executive Officer  
Canada Ports Corporation  
Ottawa, Ont.

**Dr. John Balkwill**  
Kanata, Ont.

**Robert Dowling**  
President, Cavell Drugs Ltd.  
Jasper, Alta.

**André Gingras**  
Chairman  
Montréal Port Corporation  
Montréal, Que.

**Brian Keple**  
Cobble Hill, B.C.

**Richard K. Lester**  
Vancouver, B.C.

**A.R. "Sandy" MacLean**  
Mayor  
Dalhousie, N.B.

**C. Peter MacLean**  
Maligant Cove, N.S.

**Arnold E. Masters**  
Nun's Island, Que.

**Donald A. Parker**  
Chairman  
Halifax Port Corporation  
Halifax, N.S.

**James B. Powers**  
President and General Manager  
Labrador Construction Co. Ltd.  
St. John's, Nfld.

**Patrick Reid, O.C.**  
Chairman  
Vancouver Port Corporation  
Vancouver, B.C.

**Jean Riou**  
Lawyer  
Jolin, Fournier, Morisset  
Sainte-Foy, Que.

**Wallace S. Turnbull, Q.C.**  
Partner  
Clark, Drummie & Company  
Saint John, N.B.

**Robert H. Vandewater**  
Vice President and  
Sr. Account Executive  
Wood Gundy Inc.  
Winnipeg, Man.

## Executive Committee

Chairman The Honourable  
A.R. Huntington

Vice-  
Chairman William Marsh  
Members André Gingras  
Arnold E. Masters  
Donald A. Parker  
Jean Michel Tessier  
Wallace S. Turnbull, Q.C.  
Robert H. Vandewater

## Audit Committee

Chairman Robert H. Vandewater  
Members Robert Dowling  
A.R. "Sandy" MacLean  
C. Peter MacLean  
James B. Powers

## Corporate Planning and Budgeting Committee

Chairman James B. Powers  
Members Robert Dowling  
Richard K. Lester  
Arnold E. Masters  
Jean Riou  
Wallace S. Turnbull, Q.C.

## Police Committee

Chairman Brian Keple  
Members Dr. John Balkwill  
D. Cassidy  
(Member at large)  
Robert Dowling  
The Honourable  
K.A. Flanigan  
(Member at large)  
The Honourable  
A.R. Huntington  
Donald A. Parker  
Jean Michel Tessier

## Policy and Legislation Implementation Committee

Chairman Wallace S. Turnbull, Q.C.  
Members Dr. John Balkwill  
André Gingras  
The Honourable  
A.R. Huntington  
William Marsh  
Arnold E. Masters  
Donald A. Parker  
Jean Michel Tessier

## Officers of the Corporation

**The Honourable A.R. Huntington**  
Chairman

**William Marsh**  
Vice-Chairman

**Jean Michel Tessier**  
President and Chief Executive Officer

**Hassan J. Ansary, Ph.D.**  
Executive Vice President

**Robert W. Tytaneck**  
Vice President, Finance  
and Administration

**Warren D. McCrimmon**  
Vice President, Legal/Realty  
Corporate Secretary

**Christos Sampson**  
Director General, Police

**Théophile Lauzon**  
Senior Port Manager



## Mailing Addresses

### Canada Ports Corporation

**Port of Belledune**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Ports of Chicoutimi/  
Baie des Ha! Ha!**  
Lafontaine Street  
P.O. Box 760  
Chicoutimi, Que.  
G7H 5E1  
Tel.: (418) 543-0263

**Port of Churchill**  
P.O. Box 217  
Churchill, Man.  
R0B 0E0  
Tel.: (204) 675-8823

**Port Colborne**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Port of Prescott**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Port of Sept-Îles**  
421 Arnaud Street  
Sept-Îles, Que.  
G4R 3B3  
Tel.: (418) 968-1231

**Port of Trois-Rivières**  
1545 du Fleuve Street  
P.O. Box 999  
Trois-Rivières, Que.  
G9A 5K2  
Tel.: (819) 378-3939

**National Office**  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
(613) 957-6787

### Local Port Corporations

**Halifax Port Corporation**  
Ocean Terminals  
P.O. Box 336  
Halifax, N.S.  
B3J 2P6  
Tel.: (902) 426-3643

**Montréal Port Corporation**  
Port of Montréal Building  
Cité du Havre, Wing No. 1  
Montréal, Que.  
H3C 3R5  
Tel.: (514) 283-7042

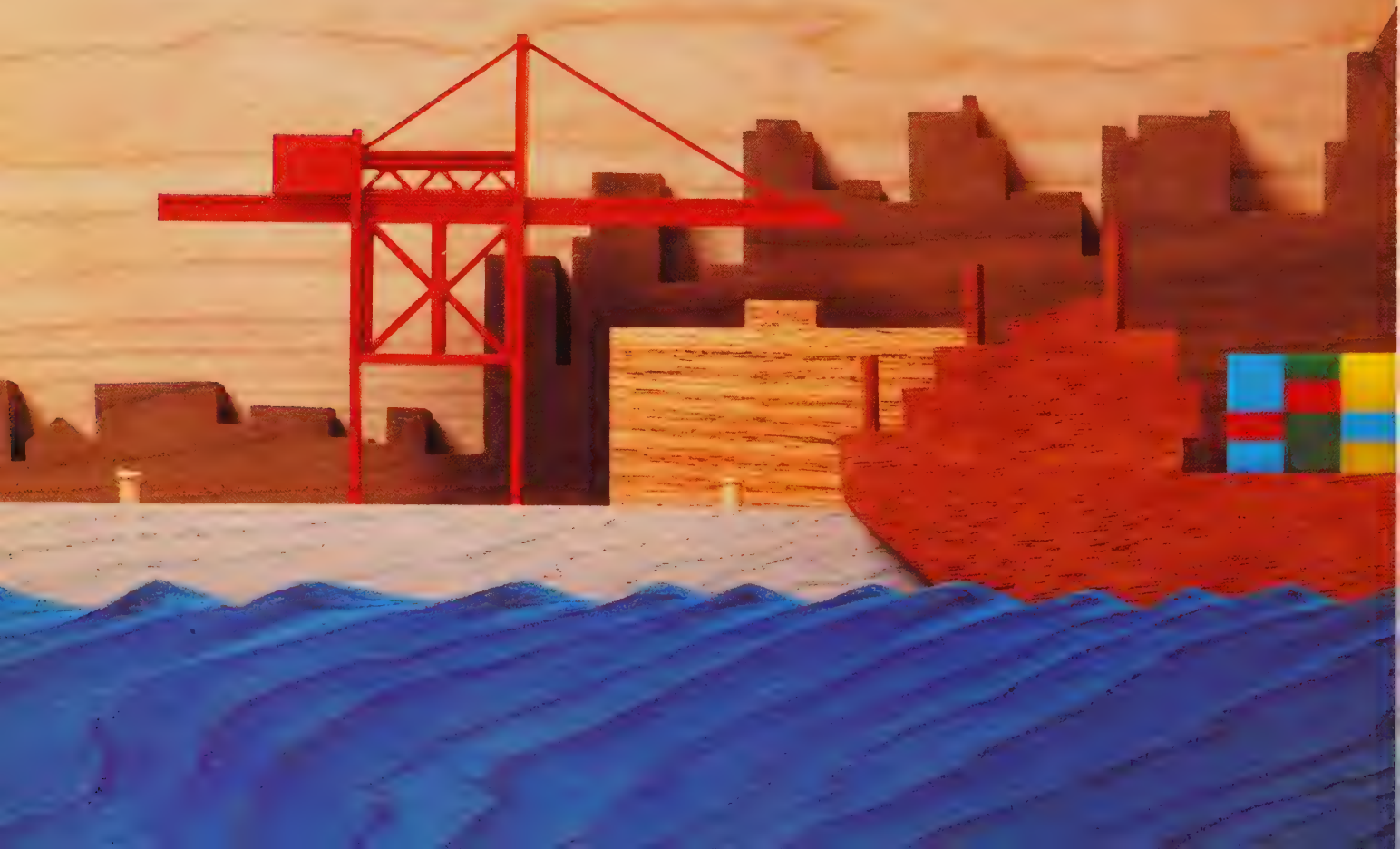
**Prince Rupert Port  
Corporation**  
110-3rd Avenue W.  
Prince Rupert, B.C.  
V8J 1K8  
Tel.: (604) 627-7545

**Port of Québec Corporation**  
150 Dalhousie Street  
P.O. Box 2268  
Québec, Que.  
G1K 7P7  
Tel.: (418) 648-3558

**Saint John Port Corporation**  
133 Prince William Street  
P.O. Box 6429, Stn. A  
Saint John, N.B.  
E2L 4R8  
Tel.: (506) 648-4869

**St. John's Port Corporation**  
3 Water Street  
P.O. Box 6178  
St. John's, Nfld.  
A1C 5X8  
Tel.: (709) 772-4582

**Vancouver Port Corporation**  
1900-200 Granville Street  
Vancouver, B.C.  
V6C 2P9  
Tel.: (604) 666-8978



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Publications



**PORTS CANADA  
1991 ANNUAL REPORT**





## PORTS CANADA PROFILE

"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha! Ha!, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.

National Office of the  
Canada Ports Corporation  
is located in Ottawa.

*Pour recevoir ce rapport en français,  
prière de s'adresser  
à Ports Canada, Services de la Société,  
99, rue Metcalfe, Ottawa (Ontario)  
K1A 0N6.*

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Total traffic refers to cargo handled through terminals administered by Ports Canada, as well as traffic through private facilities within the jurisdiction of the port. In 1991, Ports Canada ports handled 181.9 million tonnes of cargo, a one percent increase over the volume reported a year earlier. Of this total, 152.9 million tonnes, or 84 percent, were handled collectively by the seven local port corporations and 29.0 million tonnes, or 16 percent, by the Canada Ports Corporation. Again this year, grain exports played a key role in the overall positive results reported. Other resource industry exports, such as coal, prospered during the year while container traffic suffered a minor setback.

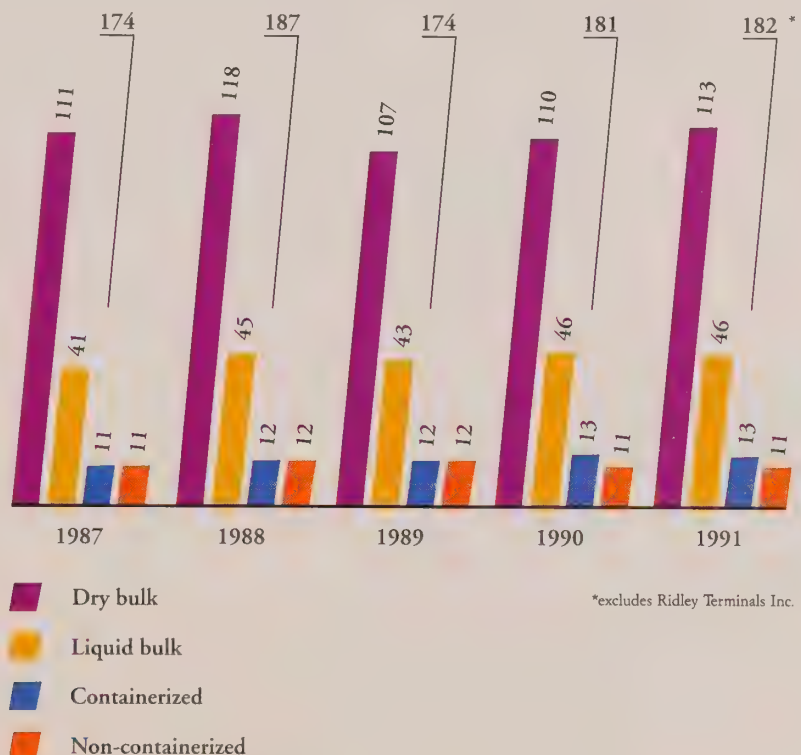
Following a trend that began earlier in the year, the ports of Vancouver, Saint John and Québec contributed significantly to the year-end totals. However, other ports in eastern Canada did not fare as well, most experiencing lower traffic volumes than in 1990. The Port of Trois-Rivières, faced with labor strife at the port, experienced a drop in traffic of 21 percent and the Port of Churchill handled only 233,000 tonnes of grain, representing about 60 percent of the volume moved a year earlier. On the positive side, the Port of Prescott had its best year in a decade handling 472,000 tonnes of cargo.

Total grain shipments handled across the Ports Canada system showed strong growth again in 1991 by reaching 30.2 million tonnes, an increase of 21 percent over the 24.9 million tonnes reported the previous year. Most major grain ports including Québec, Vancouver and Prince Rupert reported healthy gains for the year. Coal shipments improved by six percent and reached 32.3 million tonnes, up from the 30.5 million tonnes handled the previous year.

After a record-breaking year in 1990, activity in the container business was not as strong in 1991. Traffic dropped to 12.6 million tonnes from 12.9 million tonnes or 1.4 million TEUs (twenty-foot equivalent units). The Port of Halifax had a difficult year with traffic decreasing by 22 percent from 1990. By comparison, the Port of Vancouver had a record-breaking year in 1991 handling 3.3 million tonnes of container cargo, an increase of 21 percent over the previous year. The Port of Montréal, Canada's premier container port, maintained its edge in this highly-competitive market. In total, 5.8 million tonnes of containerized traffic were handled in 1991, a new level for the port and slightly ahead of 1990. Following a number of record years at the Port of St. John's, containerized traffic was down by 16 percent in 1991 to 338,000 tonnes.

After several years of decline, non-containerized general cargo rebounded slightly to 11.2 million tonnes, an increase of one percent.

Five Year Review of Traffic  
T(million)





Revenues from operations for Ports Canada reached the record level of \$200 million in 1991. The \$20 million improvement was primarily attributed to the entry of Ridley Terminals Inc. (RTI) into the Ports Canada family, as well as higher traffic levels noted by several ports. On July 30, 1991, RTI became a wholly-owned subsidiary of the Canada Ports Corporation as a result of the purchase of the remaining shares. The share purchase was financed by Canada. Accordingly, RTI's financial results from the date of acquisition are included with those of Ports Canada. While the impact of RTI's results is significant for 1991, increases in the volume of grain and coal handled elsewhere in the Ports Canada system also contributed to the higher level of revenues.

Operating expenses of \$169 million include those of RTI for the last five months of 1991, in addition to an increase of approximately five percent elsewhere across the Ports Canada system. Operating income of \$31 million was recorded for 1991 while funds from operations, being operating income before depreciation, were \$64 million. Other income, which was primarily investment income, amounted to \$20 million in 1991. Funds generated by operations and investments are the major source of financing to enable the ports to build the required facilities to face the challenges of the 1990s.

Ports Canada recorded a net loss of \$213 million in 1991, which reflects a net income of \$43 million and the

recording of a loss of \$256 million on the acquisition of RTI by the Canada Ports Corporation. In becoming the sole shareholder of RTI, the Canada Ports Corporation assumed RTI's net liabilities of \$198 million. Accordingly, the \$58 million share investment by the Canada Ports Corporation and the net liabilities assumed have been recorded as a loss on the acquisition of RTI. In 1991, Ports Canada declared and paid dividends of \$13 million based on the 1990 financial results.

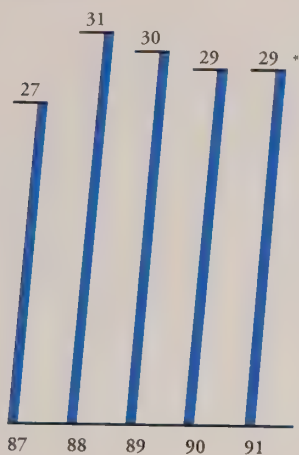
Canada invested in 1991 an additional \$10 million in the Interport Loan Fund (the Fund). The Fund, which is administered by the Canada Ports Corporation, provides an alternative source of financing for financially viable capital projects of the Ports Canada system. Borrowings from the Fund in 1991 included fund transfers used for the construction of a coal terminal at the Port of Belledune, and handling and storage facilities as part of the Alouette project at the Port of Sept-Îles.

During the year, the Ports Canada system invested \$95 million in capital improvements. Of this amount, \$41 million were provided by internally generated funds and \$21 million by borrowings from the Fund. Further expansion and upgrading of port facilities at Sept-Îles, Belledune, Saint John, Vancouver and Montréal comprised the major capital investments in 1991. Capital grants of \$33 million received from Canada were primarily for the Alouette project at the Port of Sept-Îles.

	1991*	1990	1989	1988	1987
	<i>(in millions except for average number of employees and ratios)</i>				
Financial results					
Revenue from operations	\$ 199.9	\$ 179.9	\$ 169.9	\$ 169.5	\$ 169.9
Operating expenses	169.4	155.0	147.5	140.9	140.0
Operating income	30.5	24.9	22.3	28.6	29.9
Other income	20.3	29.7	28.9	24.8	19.9
Interest expense	14.1	4.7	4.0	3.9	3.9
Net income (loss)	(213.4)	50.1	48.7	62.9	46.1
Cash provided by operating activities	49.2	102.7	59.1	96.2	69.3
Financial position at year end					
Working capital	\$ 109.6	\$ 104.6	\$ 179.7	\$ 183.0	\$ 148.6
Fixed assets — at cost	1,262.9	1,186.3	1,124.2	1,056.9	1,015.4
Total assets	1,074.9	1,022.4	1,004.5	960.4	895.5
Equity of Canada	588.7	756.3	817.9	785.5	737.4
Capital expenditures	\$ 95.0	\$ 81.3	\$ 77.6	\$ 49.7	\$ 33.8
Federal capital financing					
Grants	\$ 32.7	\$ 11.1	\$ 4.8	\$ 2.8	\$ 2.1
Loans	—	12.8	4.5	1.0	1.0
Payments to Canada					
Dividends	\$ 12.6	\$ 11.7	\$ 13.2	\$ 11.8	\$ 12.2
Cash Contributions	—	100.0	—	—	—
Employees					
Average number of employees	1,165	1,194	1,208	1,291	1,344
Ratios					
Operating revenue/tonne	\$ 1.07	\$ 1.00	\$ 0.98	\$ 0.91	\$ 0.98
Tonnes/employee	160,469	151,284	144,170	144,711	129,455
Cash from operating activities/total assets	4.6%	10.0%	6.0%	10.0%	7.7%

\* Includes Ridley Terminals Inc. which became a wholly-owned subsidiary of the Canada Ports Corporation on July 30, 1991.

Total traffic  
T(million)



\*excludes Ridley Terminals Inc



CANADA PORTS CORPORATION





For the Canada Ports Corporation, 1991 was a milestone year. The year was marked with measurable progress in achieving ambitious objectives that the Corporation had set for itself.

The business environment was laden with challenge. North American intermodal transportation has been facing severe competitive pressures that have undermined Canada's ability to make significant in-roads in this segment of the industry. A combination of demographic, physical and economic factors have led to impressive performance by the US intermodal industry. To understand and overcome some of these competitive forces, Ports Canada completed an ambitious study of the subject through a comprehensive examination of the industry dynamics and tabled its long-awaited report of the Container Competitiveness Committee. It has been, particularly, gratifying to note the industry-wide dialogues that have begun by major players to address the shortcomings identified in the

report. The Corporation takes pride in having initiated these fora and hopes that this leadership role will lead to meaningful strategies aimed at enhancing Canada's competitiveness in this sector. On behalf of the Board of Directors, I extend our appreciation to all those directly involved in this task, in particular, the industry participants.

The Corporation continued its efforts to attain higher levels of delegated authority in administering its affairs. While the shareholder response to this initiative has been highly encouraging, minor administrative hurdles remain to be overcome to make this objective a reality.

Protective Services (police) remains one of the system's major strengths. Steps were taken to consolidate administration of police detachments at the Corporation's National Office to ensure efficiency and effectiveness. The Police Committee provided invaluable assistance to the Board and the Corporation. On behalf of the Board, I would like to acknowledge the services of the Committee's outgoing Chairman, Mr. B. Keple.

Significant strides were made in the field of electronic data interchange. The successful launch of pilot projects at the ports of Halifax, Montréal and Vancouver attests to the catalyst role the Corporation has continued to play in this field under the leadership of Dr. J. Balkwill.

The formation of the Intermodal Transportation Electronic Commerce Committee in the latter part of the year was a further step in that direction.

The appointments of, respectively, the Honourable Jean Corbeil as the Minister of Transport and the Honourable Shirley Martin as the Minister of State (Transport) were welcome by the Board of Directors. Both ministers' keen interest in the Corporation's affairs has been heartening and a major source of motivation for the Ports Canada system. Both the industry and Ports Canada count on the understanding of the government to be able to tackle the challenges that lie ahead.

The Chairman of the Board since 1984, the Honourable A. R. Huntington, retired in November. On behalf of the Board, I extend the Corporation's best wishes to Mr. Huntington and his family for a happy retirement filled with good health.

Challenges abound for the Corporation. Capitalizing on the strength of its people and the industry, and with the support of the shareholder, particularly the Ministers of Transport, the Corporation is confident in being able to meet these challenges successfully. I would like to acknowledge the sense of duty and dedication of my fellow Directors, and extend the Board's sincere appreciation to the President and Chief Executive Officer, Mr. J. M. Tessier, and his management team for their hard work and service to the Corporation.

Ports Canada is first and foremost a "family." It is only through the support and comradeship of all local port corporations' Boards, management, staff and labor that our collective successes were made possible.

I would be amiss not to mention our most important stakeholder, the industry, who provides the Corporation, and the port system, a reason for being.

William Marsh  
Acting Chairman of the Board  
December 31, 1991

Upon reflection, 1991 was a year filled with joys of accomplishment and anxieties of challenge for the Canada Ports Corporation and the Ports Canada system. The Corporation successfully completed major tasks and initiated new undertakings aimed at a better understanding of our competitive environment, on the one hand, and enhancing operational efficiency, on the other.

Nearly 80 percent of Canada's grain exports are handled at Ports Canada facilities across the nation. The fundamental shifts in the grain industry prompted the Corporation to initiate a comprehensive review of the subject. The fate of many Ports Canada facilities is tied to the movement of grain; and trends in grain transportation globally have been greatly affecting competitive forces in Canada. The Corporation is hopeful that this study will make positive contributions to the government's decision-making process in identifying equitable and lasting solutions for Canada's grain handling and transportation industry.

Divisional ports continued to be blessed with good fortunes as major projects continued at the ports of Sept-Îles and Trois-Rivières, Quebec, and Belledune, New Brunswick, while others reaped the benefits of cost control and operational efficiency improvements. On behalf of the management, I am pleased to report the encouraging performance of all divisional ports except for Churchill, Manitoba, and Port Colborne, Ontario. The operations at these latter facilities will be closely examined during the coming months with a view to identifying a viable strategy for these elevators.

After seemingly unending negotiations, Ridley Terminals Inc. (RTI) became a wholly-owned subsidiary of the Corporation effective July 30, 1991. Measurable steps were taken immediately afterward to streamline RTI's operations. The results have been very encouraging to date. Efforts in that regard will continue in the months ahead to ensure continued operational improvements and financial performance at RTI. It should be noted that the Corporation's consolidated results include the acquisition costs of RTI and the net liabilities assumed at the time of acquisition. This is due to the RTI shareholders' deficiency resulting from the write-down of the terminal facility prior to the acquisition.

In its continuing endeavor to improve the quality of its Corporate Plans, the Corporation took appropriate steps in ensuring a participatory and proactive process geared to the identification of early warning signals. Dialogue and communication with the ports and the shareholder in this regard have contributed considerably to this process. It is our hope that these steps will pay dividends

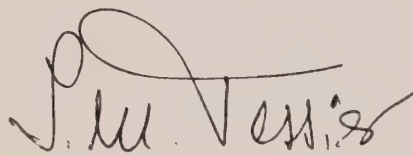
in enhanced delegation of authority for the Corporation and a streamlined project approval process.

Ports Canada remains a major institution in Canada with a significant contribution to the nation's trade objectives and economic well-being. In 1991, the system was responsible for generating over 66,000 direct and induced jobs, with a revenue impact of \$5.7 billion on the Canadian economy. As the nation faces grave challenges in 1992, we are hopeful that our national contributions will assist the government in building a stronger case for a prosperous Canada.

In the fiercely-competitive environment that ports operate today, customer service and quality set the leaders apart. Ports Canada remains committed to these attributes, as our pledge to the industry for the nineties.

Our successes would have been pale had it not been for a supportive Board of Directors, a dedicated management team and a loyal staff across the system. I extend my sincere gratitude to all. I would also like to extend my appreciation for the services of the Honourable A.R. Huntington who retired as the Chairman of the Board in 1991 and wish him success and happiness.

In accordance with my statutory obligations, it is once again a pleasure for me to inform the Corporation's Board of Directors, and the shareholder, the Government of Canada, that the Corporation made measurable progress during 1991 in achieving its objectives; and that the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.



Jean Michel Tessier



Canada Ports Corporation is comprised of eight non-corporate ports, referred to as divisional ports and its wholly-owned subsidiary Ridley Terminals Inc. (RTI). The divisional ports are located in Belledune, New Brunswick, Port Saguenay/Baie des Ha! Ha!, Sept-Îles, Trois-Rivières, Quebec, Port Colborne, Prescott, Ontario, and Churchill, Manitoba. The tonnage information provided hereunder excludes that of RTI, which became a wholly-owned subsidiary July 30, 1991. Divisional ports play a key role in their respective local and regional economies. Local industries are dependent on facilities provided by these ports and are often the primary link in both national and international markets.

Dry bulk handled at the divisional ports includes grain, salt, various mineral ores and coal. Liquid bulk is made up primarily of petroleum products while forest products are examples of general cargo handled at some of these ports. Divisional ports are an integral part of the total Ports Canada system. While their sphere of influence is often more regional than national, the overall economic well-being of the community is clearly linked to the port.

In 1991, divisional ports handled a total of 29.0 million tonnes of cargo, a slight decrease from the 29.5 million tonnes moved in 1990. This total represents 16 percent of the 181.9 million tonnes handled by all Ports Canada ports in 1991. This share has remained fairly constant in the past few years. A significant development during the year was the decline in grain exports, by close to half a million tonnes, at the Port of Trois-Rivières. This downturn can be attributed almost entirely to the labor dispute at the port during the last quarter of the year. The Port of Churchill also experienced a large decrease in grain volumes, down by 41 percent from 393,000 tonnes in 1990, to 233,000 tonnes in 1991.

The Port of Prescott recorded its best year in a decade reaching 472,000 tonnes of cargo, up by 22 percent over 1990. The picture was less positive in Port Colborne where only 21,000 tonnes of grain were handled last year, a major decline from the 300,000 tonne levels moved in the early 1980s. At the Port of Sept-Îles, the results were almost identical in 1991 to those of 1990's. With phosphate rock volumes increasing by over 100,000 tonnes, the Port of Belledune reported a four percent increase in total tonnage in 1991, while the reverse occurred at Port Saguenay, where traffic declined four percent as a result of reduced lumber exports.

This financial overview includes the financial results of Ridley Terminals Inc. (RTI) from July 30, 1991 when it became a wholly-owned subsidiary of the Corporation. The acquisition of RTI has had a major impact on the Corporation's operating results for 1991, as well as its financial position at December 31, 1991.

**Principal Operations:** The principal operations of the Canada Ports Corporation are defined by the activities of the divisional ports and RTI.

**Revenue from Operations:** Revenue from operations of \$26.7 million includes revenue earned by RTI in the last five months of 1991, and otherwise indicates a decrease of \$1.0 million compared to 1991. The drop in revenue earned by the divisional ports is mostly attributed to the lower volume of grain handled at Churchill in 1991.

**Operating Expenses:** Operating expenses increased in 1991 by \$7.6 million to \$21.2 million. This increase represents RTI's operating expenses since the acquisition which amounted to \$7.3 million, and an overall increase in operating expenses of \$0.3 million or 2 percent recorded by the divisional ports.

**Income from Operations:** Income from operations for 1991 was \$5.5 million. This represents an improvement of \$8.6 million over the corresponding loss recorded in 1990, and reflects RTI's income from operations of \$9.9 million for the last five months of 1991.

**Investment Income:** Investment income of \$4.0 million for 1991 was down by 29 percent or \$1.6 million compared to one year earlier. This decline was primarily due to lower investment bases at most divisional ports as a result of a contribution of \$20.4 million to Canada's deficit reduction initiatives. Lower interest rates in 1991 were another contributing factor to the decline in investment income.

**Interest Expense:** Interest expense of \$9.5 million shows a sharp increase of \$9.3 million which is primarily attributable to bank interest charges incurred since the acquisition of RTI.

**Loss on Acquisition of RTI:** In becoming the sole shareholder of RTI, the Corporation assumed RTI's net liabilities of \$197.5 million. The Corporation's investment in shares of \$58.5 million was funded by Canada. Accordingly, the investment in shares and the net liabilities assumed have been recorded as a loss on the acquisition of RTI.

**Dividend to Canada:** In 1991, the Corporation paid a dividend to Canada of \$174,000.

**Interport Loan Fund:** In 1991, Canada invested an additional \$10.0 million in the Fund. The Fund was established by Canada in 1989 to provide financing for financially viable capital projects of the Ports Canada corporations. Borrowings from the Fund in 1991 included transfers used to finance the construction of a coal terminal at Belledune, and handling and storage facilities as part of the Alouette project at Sept-Îles.

**Capital Investments:** In 1991, the Corporation invested \$63.1 million in the construction of new facilities and the improvement of existing ones. While the Corporation received capital grants of \$32.4 million from Canada, primarily for the Alouette project at the Port of Sept-Îles, the balance of the capital investments was financed by borrowings and internally generated funds.

## PORT OF BELLEDUNE

The Port of Belledune is located on the south shore of the *Baie des Chaleurs* in northeastern New Brunswick, about thirty-five kilometers northwest of Bathurst and fifty kilometers east of Dalhousie. The port is a bulk-handling facility leased out to Brunswick Mining and Smelting on a long-term basis. The port's single berth facility, 167 meters in length and connected to the shore by a 7.5 meter road-way, can handle ships in the 35,000-DWT (dead weight tonnes) capacity.

In 1990, construction began on a new berth to handle coal required by the thermal power plant presently being built by the New Brunswick Power Corporation. Approximately 100,000 tonnes of coal will be received during 1992; and in 1993, it is estimated that 1.2 million tonnes of coal will be unloaded at the port.

Despite labor disruptions in the first six months of the year at Brunswick Mining and Smelting, overall traffic at the port increased by four percent to 329,000 tonnes in 1991. Phosphate rock traffic jumped to 171,000 tonnes, an increase of 144 percent from the previous year. However, metallic ores dropped significantly from 122,000 tonnes in 1990 to 50,000 tonnes in 1991, while petroleum products were also down by 26 percent, from 81,000 to 60,000 tonnes, due to the labor problems experienced during the year. The port also received 19,000 tonnes of coke by rail in 1991.

Operating revenues increased by 28 percent to \$253,000 in 1991 from \$198,000 in 1990, while operating expenses increased to \$239,000 from \$170,000. Operating results indicate a profit of \$14,000 in 1991. Interest expenses in the financing of the new wharf is responsible for a net loss of \$626,000.

This year, the American Association of Port Authorities' award on environment was presented to the Canada Ports Corporation based on the environmental impact study on the Port of Belledune's new wharf project.

## PORT OF CHURCHILL

The Port of Churchill, located on the western shore of Hudson Bay, continued its primary role in 1991 in exporting western Canadian grain. The re-supply of northern communities in the Keewatin region of the Northwest Territories is another important function of the port. This year marked the 62nd year grain has been shipped through the elevator.

Total port traffic decreased by 38 percent to 265,000 tonnes in 1991 from 425,000 tonnes in 1990. Eight ships moved 233,000 tonnes of wheat and barley to Brazil and Saudi Arabia, respectively. The Northern re-supply operations, consisting mainly of petroleum products, building materials, and other essential supplies, had a slight drop in traffic to 31,000 tonnes.

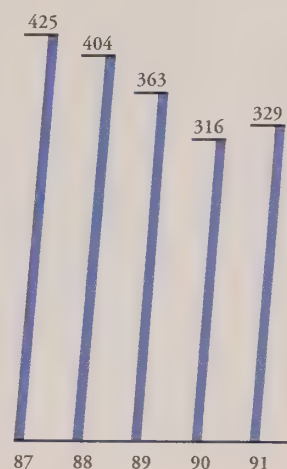
In terms of facility improvements, Phase I of the Dust Control program and a new fire alarm system were completed during the year at a cost of \$1 million. These projects were installed by port employees.

Operating revenues dropped by 34 percent from \$4.7 million in 1990 down to \$3.1 million in 1991 due to a decrease in grain throughput. Operating expenses were kept to a minimum decreasing 11 percent from \$6.6 million in 1990, to \$5.9 million in 1991. Operating results for 1991 showed a loss of \$2.8 million and a net loss of \$2.6 million.



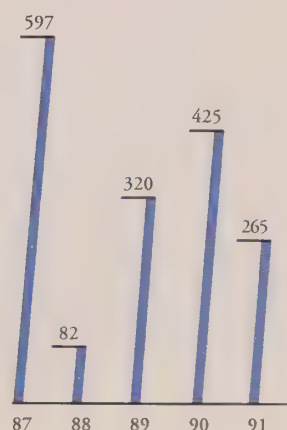
PORT OF BELLEDUNE

Total traffic  
T(thousand)



PORT OF CHURCHILL

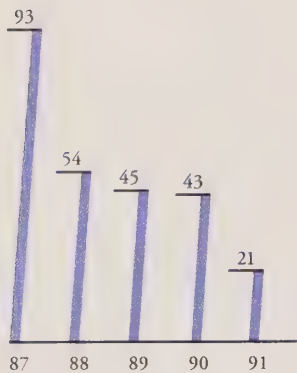
Total traffic  
T(thousand)





#### PORT COLBORNE

Total traffic  
T(thousand)



#### PORT COLBORNE

Port Colborne is located at the southern end of the Welland Canal and specializes in the handling of domestic grain. In 1986, the Canada Ports Corporation leased the Port Colborne elevator to Goderich Elevators Limited, under the terms of a twenty-year agreement.

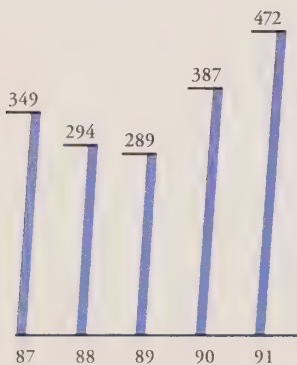
Total port traffic continued to slide in 1991. A total of 21,000 tonnes of grain were handled compared with the 43,000 tonnes recorded in 1990. This volume is a significant departure from the levels of 300,000 tonnes attained a decade earlier. A number of factors contributed to these adverse results including a poor wheat crop and the changes brought on by the abolition of the At and East rates.

Total operating revenue for the year increased slightly from \$116,000 in 1990 to \$121,000 while operating expenses declined from \$481,000 to \$441,000. Consequently, the operating loss fell by 12 percent from \$365,000 in 1990 to \$320,000. Investment income of \$371,000 provided the port with a net profit of \$51,000.



#### PORT OF PRESCOTT

Total traffic  
T(thousand)



#### PORT OF PRESCOTT

The Port of Prescott is located 200 kilometers west of Montréal and 100 kilometers south of Ottawa on the St. Lawrence River. The port is managed cooperatively by the Canada Ports Corporation, which operates the port facility and Goderich Elevators Limited, which holds a lease on the grain elevator. The primary function of the port is the handling of grain for domestic use through its 154,000-tonne capacity elevator.

The Port of Prescott had its best year in a decade handling 472,000 tonnes of cargo, an increase of 22 percent over 1990. Water-borne grain traffic at the port increased by 25 percent to 315,000 tonnes. The 156,000 tonnes of industrial salt handled at the port is also the highest volume in a decade. This increase was due, in part, to the newly-constructed salt pad becoming operational in 1991.

Total operating revenue increased slightly from \$604,000 in 1990 to \$678,000 in 1991, while operating expenses rose by nine percent from \$1.1 million to \$1.2 million. This resulted in an operating loss of \$548,000 compared to an operating loss of \$500,000 in 1990. Investment income of \$1.2 million provided the port with a net profit of \$615,000 in 1991.

## PORT SAGUENAY/ BAIE DES HA! HA!

*The Port of Chicoutimi has officially changed its name to Port Saguenay.*

Located at the head of the river whose name it shares, Port Saguenay plays a key role in the local economy and provides vital services to the region's resource-based industries. The primary industrial sectors in the region are pulp and paper, lumber and aluminum production. Port facilities include the Grande-Anse marine terminal, located in Ville de la Baie, and the Albert-Maltais terminal, located in Chicoutimi. Grande-Anse is a multi-service terminal that handles forest products as well as dry and liquid bulk cargo. The Albert-Maltais terminal handles petroleum products for the area.

Total traffic at Port Saguenay was down by 4.1 percent in 1991 to 513,000 tonnes from the reported 535,000 tonnes handled in 1990. The decrease has been attributed to much lower volumes of gasoline, fuel oil and lumber shipments. The latter commodity fell from 136,000 to 116,000 tonnes in 1991. The port benefited from the first full year of activity at the new Servitank Inc. liquid-bulk depot which opened in late 1990.

Baie des Ha! Ha! is the location of private wharf facilities owned and operated by Alcan Aluminum Limited, and used mainly to receive raw materials for the company's own use. Total traffic at Baie des Ha! Ha! increased slightly from 4.0 to 4.1 million tonnes. More aluminum ores and concentrates were handled in 1991, up by 4.7 percent to 3.2 million tonnes, while newsprint exports almost doubled from a low of 66,000 tonnes in 1990 to a high of 120,000 tonnes. Petroleum products were down from 382,000 tonnes in 1990 to 365,000 tonnes in 1991.

Operating revenue at Port Saguenay increased by five percent in 1991 and stands at \$1.6 million. Operating income also increased by 17 percent from \$216,000 in 1990 to \$253,000 in 1991. Payments to the Government of Canada of \$2.9 million had the effect of reducing investment income. Consequently, net profit fell from \$879,000 in 1990 to \$685,000 in 1991, a decrease of 22 percent.

At Baie des Ha! Ha! total operating revenue increased from \$154,000 in 1990 to \$170,000 in 1991, a gain of 10 percent. Operating expenses declined slightly from \$84,000 to \$76,000 and this enabled the port to earn an operating profit of \$94,000, an increase of 34 percent over 1990. Net income was \$151,000, an increase of 27 percent over the sum of \$119,000 recorded in 1990.

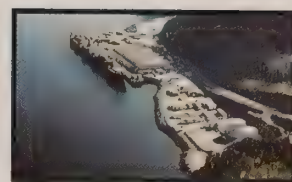
## PORT OF SEPT-ÎLES

The Port of Sept-Îles is a deep-water port located on the north shore of the St. Lawrence River, 650 kilometers east of Québec City. It consists of a large natural basin with a water depth of 80 meters or more, open to year-round navigation. The port serves the mining industry of Quebec and Labrador, with iron ore accounting for over 90 percent of total traffic. Other bulk traffic includes coal and, beginning in 1992, aluminum and its various components will be handled at the port.

With total traffic at 21.9 million tonnes for the year, the Port of Sept-Îles handled close to the volume reached in 1990 of 22.0 million tonnes. Both iron ore shipments of 21.5 million tonnes and coal handling of 400,000 tonnes, remained fairly even with last year's volumes. While the general cargo figure of 41,000 tonnes is small in volume compared with other commodities handled at the port, it nevertheless is the highest level reached in a decade.

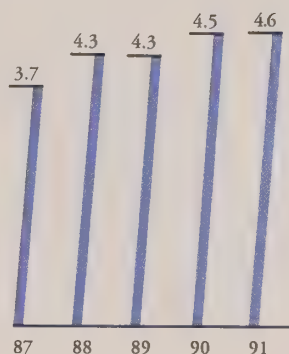
Construction of the Alouette aluminum plant continued during the year and when the plant reaches full capacity in late 1992, total port traffic will increase by approximately one million tonnes annually. The construction of the new port infrastructure (pneumatic unloading equipment, conveyors and silos) required for the plant continued in 1991 with all work proceeding on schedule. The unloading dock and rail-ferry terminal will be completed during 1992.

Operating revenue increased from \$1.5 million in 1990 to \$1.6 million in 1991 due to the increased use of port services and facilities. However, operating expenses also increased by almost 24 percent from \$1.7 million to \$2.1 million, primarily because of the requirements of the various projects that are underway. The operating loss for 1991 was \$525,000, compared with \$182,000 in 1990. Investment income declined sharply from \$448,000 in 1990 to \$375,000 in 1991. Finally, the port recorded a net loss of \$184,000, compared with a net income of \$266,000 in 1990.



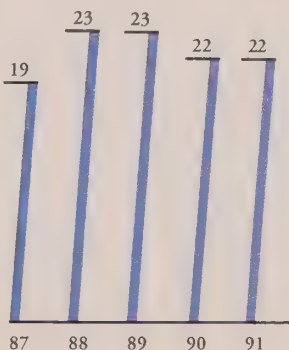
**PORT SAGUENAY  
BAIE DES HA! HA!**

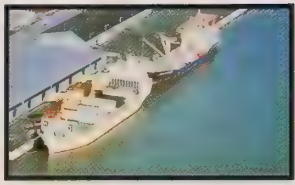
Total traffic  
T(million)



**PORT OF SEPT-ÎLES**

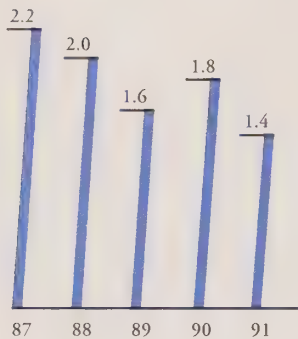
Total traffic  
T(million)





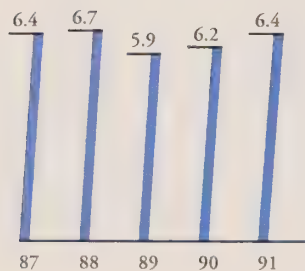
#### PORT OF TROIS-RIVIÈRES

Total traffic  
T(million)



#### RIDLEY TERMINALS INC.

Total traffic  
T(million)



#### PORT OF TROIS-RIVIÈRES

The Port of Trois-Rivières is strategically located halfway between Montréal and Québec City on the north shore of the St. Lawrence River. Exports of paper products and grain account for a major part of the total port traffic. Trois-Rivières is one of the world's largest production centres for newsprint. The port also handles a wide variety of other cargoes including petroleum products, salt and clay.

Faced with labor strife during the last three months of the year, the Port of Trois-Rivières suffered a setback in 1991 by handling 1.4 million tonnes compared with 1.8 million tonnes in 1990. Grain traffic was down by almost half, from 1.1 million tonnes to 600,000 tonnes. Other dry bulk commodities including road salt, clay and alumina fared better jumping by 33 percent while petroleum products increased from 365,000 tonnes to 388,000 tonnes in 1991, up by six percent. Comprised almost entirely of newsprint, general cargo rebounded in 1991, when 117,000 tonnes was handled compared with 56,000 tonnes the previous year. In 1991, 173 ships called at the port, down from 298 in 1990.

Last year, Aluminerie Lauralco constructed its terminal at the port for storage of alumina, calcinated petroleum and raw materials for an aluminum plant in Deschambault, Quebec. Lauralco invested \$20 million in the facility while the Port of Trois-Rivières will invest \$1.5 million to improve the wharves where the Panamax vessels will berth. When the terminal is fully operational, it will bring an additional 500,000 tonnes of cargo to the port each year.

A new tar liquefaction plant in Section 20 of the port was constructed during the year by Somavrac of Trois-Rivières. This will bring an additional 50,000 tonnes of cargo through the port.

Operating revenues showed an improvement of \$0.2 million, or 11 percent, to \$2.0 million in 1991 primarily due to the increase in paper product traffic. Operating expenses of \$2.4 million were up \$0.4 million over 1990, as a result of higher security costs and a number of repairs and maintenance projects. Thus, the operating loss for the port increased by \$0.2 million to \$0.4 million in 1991, while net income declined by half to \$0.5 million.

#### RIDLEY TERMINALS INC.

Ridley Terminals Inc. (RTI) is a sophisticated bulk-handling terminal for moving coal from unit trains onto ships. The terminal is located on a 55-hectare site on the northern end of Ridley Island in Prince Rupert, B.C. Bulk carriers have year-round ice-free access to a large natural harbor that is sheltered by a ring of outer islands.

The terminal has a capacity to ship approximately 12 million tonnes of coal a year. Access to the terminal from the main CN line is accomplished by means of a three-track, 2,200-meter causeway. The total capacity of the causeway and the loop tracks enable three loaded unit trains and two empty trains to be in the terminal area. Rail cars can be unloaded at a rate of 6,000 tonnes per hour and ships can be loaded with coal at a rate of 9,000 tonnes per hour.

In 1991, the Canada Ports Corporation purchased the remaining 50 percent ownership in Ridley Terminals Inc., making it a wholly-owned subsidiary of the Corporation. The acquisition cost of \$58.5 million was financed by the Government of Canada.

Coal shipments through RTI increased by 3.6 percent in 1991, reflecting steady sales of Northeast coal to the Japanese market. In total, 6.4 million tonnes moved through the facility compared with 6.2 million tonnes in 1990. The best year for the terminal was in 1985 when 7.2 million tonnes were handled.

For the five months of 1991 when RTI was wholly-owned by the Corporation, the terminal recorded revenues of \$17.2 million while its operating expenses for that period amounted to \$7.4 million. Thus, RTI's operating income stood at \$9.8 million. However, the heavy financing cost of \$8.7 million, primarily for the construction of the terminal, has substantially reduced its net income to \$1.3 million for the last five months of 1991.

# AUDITORS' REPORT

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

We have audited the consolidated balance sheet of Canada Ports Corporation as at December 31, 1991 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position

of the Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

*Coopers & Lybrand.*

Chartered Accountants  
Ottawa, Ontario  
February 14, 1992

# CONSOLIDATED BALANCE SHEET

As at December 31, 1991

1991 1990

in thousands of dollars

## ASSETS

### Current

Cash	\$ 4,547	\$ 861
Short-term investments (Note 4)	19,298	28,409
Accounts receivable	4,202	1,960
Due from Canada	187	1,036
Materials and supplies	227	293

Investments (Note 4)	28,461	32,559
Long-term receivable	18,550	18,497
Investment in Ridley Terminals Inc.	149	224
Fixed assets (Note 5)	—	1

	92,613	40,812
	139,773	92,093
INTERPORT LOAN FUND — ASSETS (Note 11)	45,419	32,064
	\$185,192	\$124,157

## LIABILITIES

### Current

Accounts payable and accrued liabilities (Note 6)	\$ 30,860	\$ 10,025
Due to Interport Loan Fund (Note 7)	15,561	—
Due to Canada (Note 10)	—	10,220

	46,421	20,245
Accrued employee benefits	1,512	1,340
Deferred revenues	70	279
Due to Interport Loan Fund (Note 7)	25,162	3,745
Loans from Canada (Note 8)	1,126	1,226
Bank loans (Note 9)	197,788	—
Total liabilities	272,079	26,835

## EQUITY (DEFICIENCY) OF CANADA

Contributed capital (Note 10)	111,672	53,198
Retained earnings (deficit)	(243,978)	12,060
	(132,306)	65,258

	139,773	92,093
INTERPORT LOAN FUND — CONTRA (Note 11)	45,419	32,064
	\$185,192	\$124,157

On behalf of the Board:

*William H Marsh*

William Marsh  
Acting Chairman of the Board

*J. M. Tessier*

Jean Michel Tessier  
President and Chief Executive Officer

**CONSOLIDATED  
STATEMENT OF  
LOSS AND DEFICIT**

*For the year ended December 31, 1991*

	1991	1990
	<i>in thousands of dollars</i>	
Revenue from operations	\$ 26,723	\$ 10,592
Operating and administrative expenses – net	16,355	9,820
Depreciation	3,313	2,958
Municipal grants and taxes	1,547	861
	21,215	13,639
Income (loss) from operations	5,508	(3,047)
Investment income	4,041	5,616
Interest expense	(9,487)	(212)
Income before the undernoted	62	2,357
Loss on acquisition of Ridley Terminals Inc. (Note 3)	(255,926)	–
Net income (loss) for the year	(255,864)	2,357
Retained earnings at beginning of the year	12,060	9,930
Dividend to Canada	(174)	(227)
Retained earnings (deficit) at end of the year	\$ (243,978)	\$ 12,060

**CONSOLIDATED  
STATEMENT OF  
CHANGES IN  
FINANCIAL  
POSITION**

*For the year ended December 31, 1991*

	1991	1990
	<i>in thousands of dollars</i>	
Operating Activities		
Net income (loss) for the year	\$ (255,864)	\$ 2,357
Items not affecting cash		
Depreciation	3,313	2,958
Loss on acquisition of RTI	255,926	–
Deferred interest	689	106
Other	165	177
Long-term deferred revenues	(209)	279
Unamortized interest charges	(487)	–
Net change in operating components of working capital	2,763	(1,112)
Cash provided by operating activities	6,296	4,765
Financing Activities		
Capital grants	32,444	9,747
Change in due from Canada	849	(610)
Transfers from Interport Loan Fund	35,978	3,639
Repayment of loans from Canada	(93)	(87)
Repayment of bank loans	(15,250)	–
Contribution to Canada	–	(20,440)
Amount due to Canada	(10,220)	10,220
Contribution from Canada	58,474	–
Dividend paid to Canada	(174)	(227)
Cash provided by financing activities	102,008	2,242
Investing Activities		
Additions to fixed assets	(63,128)	(17,496)
Change in construction payables	2,865	6,648
Investment in RTI — net of cash acquired of \$4,993	(53,481)	–
Other	15	–
Cash required by investing activities	(113,729)	(10,848)
Decrease in cash and short-term investments	(5,425)	(3,841)
Cash and short-term investments at beginning of the year	29,270	33,111
Cash and short-term investments at end of the year	\$ 23,845	\$ 29,270

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1991

## 1. CANADA PORTS CORPORATION ACT

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act*. The Act provides for the establishment of local port corporations to manage and operate selected ports. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

## 2. SIGNIFICANT ACCOUNTING POLICIES

- (a) **Consolidated Financial Statements:** The consolidated financial statements of the Corporation include the accounts of the ports and other facilities under its administration, as well as those of the Interport Loan Fund. The activities of the local port corporations are excluded from the financial statements from the date of their establishment.
- (b) **Investments:** The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.
- (c) **Fixed Assets:** Fixed assets are recorded at cost, with the exception of those transferred to the Corporation from Canada and the coal terminal facility. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. The coal terminal facility is recorded at acquisition value. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.  
Depreciation of fixed assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.
- (d) **Pension Costs:** Permanent employees of the Corporation are covered by the Public Service Superannuation Plan, which is a contributory defined-benefit pension plan administered by Canada. However, employees of Ridley Terminals Inc. (RTI), a wholly-owned subsidiary, are covered by a non-contributory defined-benefit plan.
- (e) **Municipal Grants and Taxes:** The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.
- (f) **Employee Benefits:** The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.
- (g) **Revenue Recognition:** RTI's coal throughput revenue is recorded at 50 percent of the contracted throughput rate at the time the coal is received at the terminal. The balance is recognized at the time of ship loading. RTI's coal shippers have guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized when collected.

## 3. ACQUISITION OF RIDLEY TERMINALS INC.

Ridley Terminals Inc. operates a coal terminal facility on Ridley Island in Prince Rupert, British Columbia and was previously owned 50 percent by the Corporation.

The Corporation purchased the remaining 50 percent ownership in RTI on July 30, 1991 and RTI became a wholly-owned subsidiary of the Corporation. The share purchase was fully financed by Canada.

The acquisition was accounted for by the purchase method, and the results of the RTI's operations from the date of acquisition are included in the consolidated statement of loss and deficit.

Net assets acquired are as follows:

	<i>in thousands of dollars</i>
Total assets	\$ 31,639
Total liabilities	229,090
	(197,451)
Purchase price	58,475
Excess of purchase price over net liabilities assumed	
— Loss on acquisition of Ridley Terminals Inc.	\$255,926

## 4. INVESTMENTS

Current investments consist of \$15,420,000 (1990 – \$28,409,000) of Canada treasury bills and \$3,878,000 of other money market securities. As at December 31, 1991 and 1990, the market value of the current investments approximates their amortized cost.

Long-term investments of \$18,550,000 (1990 – \$18,497,000) are Canada bonds and as at December 31, 1991, their market value is \$22,541,000 (1990 – \$20,129,000).

5.  
FIXED ASSETS

(a) Summary

				1991	1990
				<i>in thousands of dollars</i>	
	Depreciation Rates %	Cost or Appraised Value	Accumulated Depreciation	Net	Net
Land	—	\$ 4,931	\$ —	\$ 4,931	\$ 4,482
Dredging	2.5–6.7	9,489	6,664	2,825	3,150
Berthing structures	2.5–10	34,474	19,099	15,375	16,096
Buildings	2.5–10	16,416	12,651	3,765	3,986
Coal terminal facility	4	24,414	414	24,000	—
Utilities	3.3–10	2,894	1,691	1,203	1,260
Roads and surfaces	2.5–10	3,840	2,197	1,643	1,817
Machinery and equipment	5–100	20,088	17,343	2,745	3,518
Office furniture and equipment	20	3,469	2,559	910	852
Works under construction	—	35,216	—	35,216	5,651
		\$ 155,231	\$ 62,618	\$ 92,613	\$ 40,812

(b) **Capital Grants:** During the year, the Corporation received capital grants towards the construction of fixed assets totalling \$32,444,000 (1990 – \$9,747,000).

(c) **Commitments:** Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$12,156,000 of which most will be expended in the year ending December 31, 1992.

The Corporation leases the land on which the coal terminal facility is constructed from the Prince Rupert Port Corporation. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

6.  
ACCOUNTS  
PAYABLE AND  
ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are deferred revenues of \$1,113,000 (1990 – \$965,000) and current portion of long-term loans of \$11,075,000 (1990 – \$93,000).

7.  
DUE TO INTERPORT  
LOAN FUND

The Interport Loan Fund has provided long-term financing for two capital projects of ports under the administration of the Corporation. It has also provided short-term financing to the Corporation for the interim financing of RTI's operations.

	1991	1990
	<i>in thousands of dollars</i>	
a) Transfers to the Port of Belledune bearing interest at 9.14% to 11.47% and accrued interest of \$795,000, repayable in twenty blended annual instalments of principal and interest of \$1, 657,000 commencing December 31, 1993 and maturing December 31, 2012.	\$12,512	\$ 3,745
b) Transfers to the Port of Sept-Îles bearing interest at 9.02% to 9.20%, repayable in twenty blended annual instalments of principal and interest of \$1, 423,000 and maturing December 31, 2011.	12,900	—
c) Transfers to RTI bearing interest at 7.65% and 9.17% and accrued interest of \$311,000, repayable with interest in 1992.	15,311	—
	40,723	3,745
Less current portion	(15,561)	—
	\$25,162	\$ 3,745

Principal repayment requirements over the next five years amount to \$15,249,000 in 1992, \$505,000 in 1993, \$554,000 in 1994, \$607,000 in 1995 and \$666,000 in 1996.

8.  
LOANS  
FROM CANADA

	1991	1990
	<i>in thousands of dollars</i>	
Loans bearing interest at 6.44% and 9.09%, repayable in blended annual instalments of principal and interest of \$193,000 and maturing December 31, 2000.	\$ 1,226	\$ 1,319
Less current portion	(100)	(93)
	\$ 1,126	\$ 1,226

Principal repayment requirements over the next five years amount to \$100,000 in 1992, \$108,000 in 1993, \$116,000 in 1994, \$124,000 in 1995 and \$134,000 in 1996.

9.  
BANK LOANS

The Corporation has two long-term financing agreements with a major Canadian bank as follows:

	1991	1990
	<i>in thousands of dollars</i>	
a) Term loan repayable in specified semi-annual instalments commencing July 31, 1991 through January 31, 2000. Interest is at the bank's prime rate, payable monthly.	\$194,013	\$ —
b) Term loan repayable in specified semi-annual instalments commencing July 31, 1991 through January 31, 1994. Interest is at the bank's prime rate plus 3/8% per annum, payable monthly.	14,750	—
	208,763	—
Less current portion	(10,975)	—
	\$197,788	\$ —

Under the loan agreements, the Corporation may utilize bankers' acceptances as all or part of the borrowing.

Loan agreement (a) is guaranteed unconditionally by Canada to a maximum of \$230 million, and a \$250 million subordinate fixed and floating charge collateral demand debenture is pledged as security. Loan agreement (b) has a \$350 million first fixed and floating charge collateral demand debenture, with the coal terminal facility and the lease from Prince Rupert Port Corporation pledged as security therefore.

Principal repayment requirements over the next five years amount to \$10,975,000 in 1992, \$24,338,000 in 1993, \$24,325,000 in 1994, \$19,950,000 in 1995 and \$24,938,000 in 1996.

10.  
CONTRIBUTED  
CAPITAL

In 1991, Canada contributed \$58,474,000 to the Corporation for the purchase of the remaining shares of RTI.

In 1990, Canada requested a contribution of \$100 million towards the federal deficit reduction from Canada Ports Corporation and the local port corporations. Cash payments were requested of ports identified with cash reserves exceeding their short-term capital investment needs.

The Corporation's share of the contribution was \$20.44 million which was applied against Contributed Capital.

	1991	1990
	<i>in thousands of dollars</i>	
Balance at the beginning of the year	\$ 53,198	\$ 73,638
Contribution to Canada.	—	(20,440)
Contribution from Canada.	58,474	—
Balance at end of the year	\$111,672	\$ 53,198

11.  
INTERPORT  
LOAN FUND

The purpose of the Interport Loan Fund is to provide financing for financially viable capital projects of the Corporation and the local port corporations. However, as directed by Canada, the Fund also transferred \$15 million in 1991 to the Corporation to provide interim financing to RTI.

The balance sheet of the Fund as at December 31 shows:

	1991	1990
	<i>in thousands of dollars</i>	
ASSETS		
Current		
Cash and investments	\$ 4,696	\$ 28,319
Transfers receivable	15,561	—
	20,257	28,319
Transfers receivable	25,162	3,745
	\$ 45,419	\$ 32,064
LIABILITIES		
Current		
Accounts payable	\$ 25	\$ —
FUND BALANCE		
Contributions from Canada	36,650	26,650
Retained earnings	8,744	5,414
	45,394	32,064
	\$ 45,419	\$ 32,064

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1991 and 1990, the market value of the investments approximates their amortized cost.

The Fund is committed to providing financing of \$45.7 million for financially viable capital projects of divisional ports and a local port corporation over the next two years. In 1991, Canada invested \$10 million in the Fund and has made a further commitment to invest up to \$40 million.

The statement of income and retained earnings of the Fund is as follows:

	1991	1990
	<i>in thousands of dollars</i>	
Interest income	\$3,430	\$3,571
Administrative expenses	100	75
Net income for the year	3,330	3,496
Retained earnings at beginning of the year	5,414	1,918
Retained earnings at end of the year	\$8,744	\$5,414

## 12. PENSION PLANS

The annual contributions to the Public Service Superannuation Plan represent the liability of the Corporation for the contributory plan and are recognized in the accounts on a current basis.

As at December 31, 1991, the updated actuarial reports of the non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to \$2,737,000 and the value of the pension fund assets, at market value, amounts to \$3,342,000. The pension expense for 1991 of \$132,000 is actuarially determined.

## 13. RELATED PARTY TRANSACTIONS

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In accordance with the *Canada Ports Corporation Act*, operating and administrative costs incurred by the Corporation in the amount of \$7,523,000 have been recovered from the local port corporations in 1991 (1990 – \$7,177,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of \$1,944,000 charged by a local port corporation. At December 31, 1991 \$4,346,000 of rental costs are included in accounts payable and accrued liabilities.

Investment income of \$3,845,000 (1990 – \$5,616,000) was earned on Government of Canada securities and interest charges of \$100,000 (1990 – \$106,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 3, 5(b), 8, 10 and 11.

## 14. ONGOING OPERATIONS AND ECONOMIC DEPENDENCE

The principal customer of RTI, Quintette Coal Limited (Quintette), sought protection from its creditors through the courts in 1990. Quintette has proposed a plan of reorganization which, among other things, would significantly reduce the revenue earned by the Corporation from Quintette. As a consequence, the ongoing operating viability of RTI is threatened.

A reorganization plan for RTI is being pursued with RTI's bankers, Canada and others. Among the issues RTI's eventual reorganization plan must cover are the role RTI will play in the ongoing operation of the terminal facility, and the disposition of RTI's long-term debt. In order for RTI to meet its principal and interest payments as they come due, either some or all of the debts must be removed, or RTI must be funded from some source other than operations.

## 15. CONTINGENCIES

Claims aggregating approximately \$2,239,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.

Total traffic  
T(million)



HALIFAX PORT CORPORATION



JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD  
AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



We are pleased to report on the Corporation's operating results for 1991, a year in which ports around the world faced extreme competition, particularly for containerized cargoes.

During the previous five years, the port had experienced a doubling of its container volume, during a period in which competition among ports was intensifying. In 1991, the port faced a downward adjustment, as certain shipping lines changed itineraries and reduced port calls on the North American east coast. The continuing faster trade growth rate of the Pacific-Asian countries has definitely contributed to this shift of business to the west coast of the United States, which is serviced by very efficient double-stack container trains.



Donald A. Parker (left)  
and David F. Bellefontaine

Halterm Limited, one of the port's major terminal operators, acquired its fourth gantry crane in 1991, thereby enhancing terminal productivity. In addition, the commencement of double-stack trains in 1991 advanced the

port's competitive position. These investments reflect the positive attitude taken by other port partners in the future of the Port of Halifax.

Except for its east coast container traffic market share objectives, the port was successful in achieving other objectives with respect to rail service and its grain elevator operation. This past year, an agreement was reached between the Provincial Government and Canadian National Railway which resulted in the commencement of double-stack rail service at the port. In 1991, Halifax Grain Elevator Limited renewed its lease on the Halifax Grain Elevator. This lease renewal, which signifies the operator's confidence in the grain operation, along with progress being made towards the implementation of an assured maintenance program at the facility, will ensure its long-term operating viability.

Capital expenditures in 1991 amounted to \$1.7 million, which included \$0.3 million for the completion of the Crane Rail connection between Piers "B" and "C". The remaining \$1.4 million was expended on replacement of maintenance equipment, administration building upgrade and miscellaneous plant requirements.

Over the past ten years, the port has spent \$44.4 million on capital projects. These investments will provide the port with facilities and services to support its role in ensuring that the objectives of Canada's national ports policy are fulfilled.

The North American recession, together with changes in liner itineraries, caused a reduction in total cargo volumes at the Port of Halifax. Total port cargo was 14.9 million tonnes, down by 13.9 percent from the previous record of 17.3 million tonnes set in 1990. Imports and exports of crude and refined oils totalled 8.7 million tonnes, resulting in a small decline of 3.7 percent from the 9.0 million tonnes recorded in 1990.

Containerized cargo volumes dropped in 1991 by 21.6 percent, from a total of 3.9 million tonnes in 1990, the fifth consecutive record year for the Port of Halifax, to a level of 3.1 million tonnes in 1991. The intensified competition for North Atlantic services, combined with the Far East trade being more concentrated on west coast United States ports, are primary reasons for the cargo decline.

Revenue from operations amounted to \$13.3 million in 1991, down from the \$15.0 million recorded the previous year. Total operating expenses were \$12.4 million, as compared to \$12.0 million in 1990. Income from operations fell to \$0.9 million, from \$3.1 million the previous year. Cargo declines, plus tariff adjustments were prime reasons for this change. Net income was recorded at \$1.5 million as compared to \$3.7 million in 1990. Working capital improved in 1991 to \$7.1 million, up from \$6.8 million at year's end in 1990. Short-term investments remained over the \$7.0 million level, as in the previous year.

The Port of Halifax continues to face intense competition from other North American ports. Our port partners have worked closer together over the past twelve months in an effort to ensure the port's future as a great international port of call for shipping lines around the world. As Canada faces an interesting unity challenge in 1992, the port will move ahead to aggressively pursue new opportunities.

Donald A. Parker  
Chairman of the Board

David F. Bellefontaine  
President and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1991, and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

  
Chartered Accountants  
Halifax, Nova Scotia  
January 31, 1992

## BALANCE SHEET

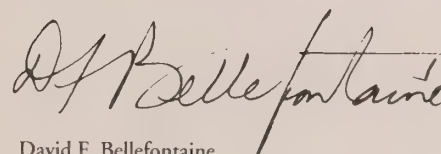
<i>As at December 31, 1991</i>	1991	1990
<b>ASSETS</b>		
Current		
Cash	\$ 122,502	\$ 796,402
Investments (Note 3)	7,203,581	7,788,502
Accounts receivable	2,825,004	2,517,733
Materials and supplies	60,414	105,608
	10,211,501	11,208,245
Accounts receivable	266,188	—
Investments (Note 3)	—	33,615
Fixed (Note 4)	58,471,490	58,723,495
	\$68,949,179	\$69,965,355
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,787,198	\$ 3,157,432
Grants in lieu of municipal taxes	276,643	335,768
Deferred revenues	556,289	539,777
Current portion of long term debt	444,629	404,208
	3,064,759	4,437,185
Accrued employee benefits	764,673	701,831
Loans from Canada (Note 5)	2,269,877	2,714,506
	6,099,309	7,853,522
<b>EQUITY</b>		
Contributed capital	50,856,865	50,856,865
Surplus	11,993,005	11,254,968
	62,849,870	62,111,833
	\$68,949,179	\$69,965,355

Contingent liabilities (Note 6)

On behalf of the Board:



Donald A. Parker  
Chairman of the Board



David F. Bellefontaine  
President and Chief Executive Officer

**STATEMENT OF  
INCOME AND  
SURPLUS**

<i>For the year ended December 31, 1991</i>	<b>1991</b>	<b>1990</b>
Revenue from operations	\$13,337,637	\$15,007,422
Operating and administrative expenses	9,433,912	8,851,002
Depreciation	2,120,741	2,104,449
Grants in lieu of municipal taxes	890,994	1,000,000
	12,445,647	11,955,451
Income from operations	891,990	3,051,971
Investment income	691,862	991,563
Interest expense	(311,871)	(348,617)
Gain on disposal of fixed assets	11,580	2,552
	391,571	645,498
Net income before extraordinary income	1,283,561	3,697,469
Extraordinary item (Note 7)	213,716	—
Net income	\$ 1,497,277	\$ 3,697,469
Surplus, beginning of year	\$11,254,968	\$ 8,581,491
Net income	1,497,277	3,697,469
Dividend to Canada	(759,240)	(1,023,992)
Surplus, end of year	\$11,993,005	\$11,254,968

**STATEMENT OF  
CHANGES IN  
FINANCIAL  
POSITION**

<i>For the year ended December 31, 1991</i>	<b>1991</b>	<b>1990</b>
Operating activities		
Net income	\$ 1,497,277	\$ 3,697,469
Depreciation	2,120,741	2,104,449
Other	112,812	34,860
Decrease in operating components of working capital	95,603	66,792
Cash provided by operating activities	3,826,433	5,903,570
Financing activities		
Increase in accounts receivable	(266,188)	—
Increase (decrease) in accounts payable	(300,526)	320,211
Loans from Canada	(404,209)	(367,462)
Dividend to Canada	(759,240)	(1,023,992)
Contributions to Canada	(1,470,000)	(1,470,000)
Cash applied to financing activities	(3,200,163)	(2,541,243)
Investing activities		
Additions to fixed assets	(1,934,696)	(2,157,980)
Proceeds on disposal of investments	34,009	—
Other	15,596	6,199
Cash applied to investing activities	(1,885,091)	(2,151,781)
Increase (decrease) in cash and short-term investments	(1,258,821)	1,210,546
Cash and short-term investments, beginning of year	8,584,904	7,374,358
Cash and short-term investments, end of year	\$ 7,326,083	\$ 8,584,904

# NOTES TO FINANCIAL STATEMENTS

December 31, 1991

1.

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984. In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of Halifax to Halifax Port Corporation.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Investments:** The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

**Fixed Assets:** Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets. Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

**Pension Costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

**Grants in Lieu of Municipal Taxes:** The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

**Employee Benefits:** The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

## 3. INVESTMENTS

	1991		1990	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short term	\$7,203,581	\$7,334,200	\$7,788,502	\$8,115,100
Long term			\$ 33,615	\$ 34,270

## 4. FIXED ASSETS

		1991		1990	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$ 24,547,627	\$ —	\$24,547,627	\$24,441,887
Dredging	2.5% — 6.7%	3,443,290	2,397,842	1,045,448	1,093,165
Berthing structures	2.5% — 10%	35,120,246	19,663,894	15,456,352	16,040,808
Buildings	2.5% — 10%	18,755,692	11,780,523	6,975,169	6,300,957
Utilities	3.3% — 10%	6,008,663	2,657,282	3,351,381	3,498,699
Roads and surfaces	2.5% — 10%	8,481,260	4,940,104	3,541,156	4,024,163
Machinery and equipment	5% — 100%	9,906,185	6,559,908	3,346,277	2,067,688
Office furniture and equipment	20%	1,270,814	1,066,921	203,893	152,334
Projects under construction		4,187	—	4,187	1,103,794
		\$107,537,964	\$49,066,474	\$58,471,490	\$58,723,495

## 5. LOANS FROM CANADA

	1991	1990
10% loan maturing on December 31, 1996, repayable in blended annual principal and interest payments of \$716,080	\$2,714,506	\$3,118,714
Less current portion repayable within one year	444,629	404,208
	\$2,269,877	\$2,714,506

The loans from Canada are unsecured.

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**6.  
CONTINGENT  
LIABILITIES**

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has not quantified an amount. In the opinion of management, this claim is without merit and therefore no provision has been made in the accounts.

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**7.  
EXTRAORDINARY  
ITEM**

During 1991, the Corporation sold a water lot. This resulted in a net gain on disposal of \$213,716.

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**BOARD OF  
DIRECTORS**

**Donald A. Parker \***

Chairman  
Businessman  
Dartmouth, N.S.

**Paul M. Murphy, Q.C. \***

Vice-Chairman  
Partner - Patterson Kitz  
Halifax, N.S.

**Florence R. Irwin \*\***

Partner  
Canadian Annuity Quotations and  
Insurance Services Ltd.  
Bedford, N.S.

**Michael J. Proude**

President - Local 269  
International Longshoremen's Association  
Dartmouth, N.S.

**Lois A. Glibbery \*\***

Property Marketing Specialist  
Royal LePage Real Estate Services Ltd.  
Dartmouth, N.S.

**Harald A. Norve \***

President  
H.A. Norve & Associates Ltd.  
Halifax, N.S.

**Captain Ernest A. Coates \*\***

Retired Marine Superintendent  
Esso Petroleum Canada  
Dartmouth, N.S.

\* Executive Committee

\*\* Audit Committee

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**OFFICERS OF  
THE CORPORATION**

**Donald A. Parker**

Chairman

**Paul M. Murphy, Q.C.**

Vice-Chairman

**David F. Bellefontaine**

Port Manager,  
President and Chief Executive Officer

**Lorraine E. Brenton**

Corporate Secretary

**Claude L. Ball**

Senior Vice-President and Chief Operating Officer

**Richard T. Pentland**

Vice-President  
Engineering and Works

**Dennis W. Creamer**

Vice-President  
Finance and Real Property

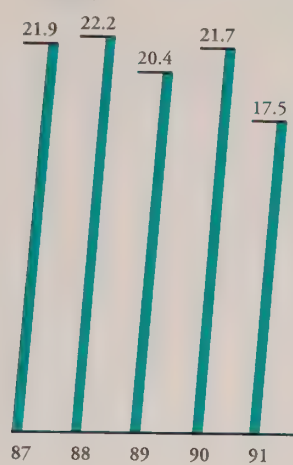
**Robert A. Kaye**

Vice-President  
Marketing

**Peter J. MacKeigan**

Chief Legal Officer

Total traffic  
T(million)



MONTREAL PORT CORPORATION



**JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD  
AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER**



**T**he Port of Montréal's operating results for 1991 show that while the recession led to a marked decrease in total traffic, the port still managed to increase its share of the highly-competitive containerized cargo market, setting a record in this sector.



André Gingras (left)  
and Dominic J. Taddeo

The total volume of traffic handled at the port in 1991 was 17.5 million metric tonnes, a decrease of 19.7 percent compared with the previous year. Traffic in the containerized and non-containerized general cargo sector reached an all-time high seven million tonnes in 1991, up 2.3 percent compared with 1990. Containerized cargo increased slightly to total a record 5.8 million tonnes, quite an accomplishment considering the context of the economic recession and fierce competition. Overall, a record number 575,554 TEUs were handled.

One of the highlights for the Port of Montréal in 1991 was the decision by two major container shipping lines, Atlantic Container Line and Hapag-Lloyd, to begin serving Canadian markets out of Montréal by slot-chartering space on the St. Lawrence Co-ordinated Service operated jointly by Canada Maritime and OOCL. Europe Canada Line, a new North Atlantic ship operator, also introduced a container service through Montréal.

For the second consecutive year, the Port of Montréal succeeded in increasing its share of the containerized general cargo market. While our traffic increased, that of ports on the North American seaboard, on the whole, decreased. This fact alone speaks volumes for the competitive strength of the "Port of Montréal system" which groups together all those involved in port activity in Montréal.

We are proud to reaffirm that now, more than ever, the Port of Montréal is Canada's number one container port and a leader on the North Atlantic. Non-containerized general cargo traffic totalled 1.2 million tonnes in 1991, up 12.3 percent compared with the previous year.

Petroleum products traffic was hit hardest by the recession and totalled 4.5 million tonnes, a decrease of 36.8 percent compared with 1990. Grain traffic totalled 2.4 million tonnes, a decrease of 11.9 percent which was mainly attributable to a drop in domestic grain movements. Grain exports through the port, however, remained stable.


Following petroleum products, the recession hit other dry and liquid bulk the hardest in 1991. Traffic totalled 3.6 million tonnes, a decrease of 29.7 percent due to the poor demand for many dry bulk commodities. It was the lowest result in this sector since the last recession. Also worth mention is the fact that the Port of Montréal welcomed more than 46,000 cruise ship passengers in 1991, up from 30,000 the previous year.

In 1991, revenue from operations totalled \$53.6 million and net income from operations was \$1.2 million. Net income amounted to \$8.1 million including net investment income of \$4.6 million and an unusual item of \$2.3 million representing an adjustment of grants in lieu of municipal taxes.

We are pleased to inform the shareholder that despite the difficult recession, the Corporation succeeded in meeting its main objectives. While income from operations was less than expected, the Corporation succeeded in limiting its operating and administrative costs, which increased by only less than one per cent, as well as maintaining its financial self-sufficiency by registering a net profit from operations, offering its clients efficient services at competitive prices, and even increasing its share of the containerized cargo market.

It is difficult to predict when the economic recovery will begin to stimulate maritime traffic. Nevertheless, in reviewing the different sectors of port activity, we can expect a slight improvement in 1992. In the containerized cargo market, we believe the Port of Montréal will do as well, as if not again better than its competitors on the North American eastern seaboard.

Our conviction is based on the port's numerous advantages upon which our shipping lines also base their commitment to provide fast, reliable and competitive services all year long through Montréal. We would like to take this opportunity to thank all of those involved in port activity — on water or land — for their continuing efforts.

  
André Gingras  
Chairman of the Board

  
Dominic J. Taddeo  
President and Chief Executive Officer

**AUDITORS' REPORT**

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1991 and the statements of earnings, retained earnings, contributed capital and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

*Samson Bélair*

*Deloitte + Touche*

Chartered Accountants  
Montréal, Quebec  
February 7, 1992

**BALANCE SHEET**

*As at December 31, 1991*

**CURRENT ASSETS**

Cash  
Investments (Note 3)  
Accounts receivable  
Materials and supplies

Investments in a business held for resale (Note 4)  
Long-term investments (Note 3)  
Fixed assets (Note 5)  
Other assets

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities (Note 6)  
Grants in lieu of municipal taxes

Accrued employee benefits  
Loans from Canada (Note 7)

**EQUITY OF CANADA**

Contributed capital  
Retained earnings

1991 1990

*in thousands of dollars*

\$ 310 252  
12,702 16,222  
9,870 11,365  
893 929

23,775 28,768  
3,536 3,598  
27,177 32,927  
162,055 165,327  
1,779 575

\$218,322 \$231,195

\$ 6,687 21,728  
778 2,970

7,465 24,698  
4,693 5,291  
5,181 5,669  
17,339 35,658

158,919 158,919  
42,064 36,618  
200,983 195,537  
\$218,322 \$231,195

Approved by the Board:

*André Gingras*  
André Gingras  
Chairman of the Board

*Dominic J. Taddeo*  
Dominic J. Taddeo  
President and Chief Executive Officer

**STATEMENT  
OF EARNINGS**

*For the year ended December 31, 1991*

**1991**

**1990**

*in thousands of dollars*

Revenue from operations	\$ 53,601	\$ 55,552
Operating and administrative expenses	37,909	37,175
Depreciation	10,648	10,145
Grants in lieu of municipal taxes	3,823	4,653
	52,380	51,973
Earnings from operations	1,221	3,579
Investment income	5,009	7,609
Interest expense	(383)	(410)
	4,626	7,199
Earnings before the following item	5,847	10,778
Adjustment of grants in lieu of municipal taxes from previous years	2,294	—
Net earnings	\$ 8,141	\$ 10,778

**STATEMENT  
OF RETAINED  
EARNINGS**

*For the year ended December 31, 1991*

**1991**

**1990**

*in thousands of dollars*

Balance, beginning of year	\$ 36,618	\$ 27,079
Net earnings	8,141	10,778
Dividends	(2,695)	(1,239)
Balance, end of year	\$ 42,064	\$ 36,618

**STATEMENT  
OF CONTRIBUTED  
CAPITAL**

*For the year ended December 31, 1991*

**1991**

**1990**

*in thousands of dollars*

Balance, beginning of year	\$158,919	\$183,569
Special contribution to Canada	—	24,650
Balance, end of year	\$158,919	\$158,919

STATEMENT  
OF CHANGES IN  
FINANCIAL  
POSITION

For the year ended December 31, 1991

1991

1990

*in thousands of dollars*

Net inflow (outflow) of cash related  
to the following activities:

OPERATING

Net earnings

\$ 8,141

\$10,778

Items not affecting cash

Depreciation

10,648

10,145

Other

(364)

(461)

18,425

20,462

Changes in non-cash operating working  
capital items (Note 8)

(3,286)

2,653

15,139

23,115

FINANCING

Repayment of current portion of loans from Canada

(460)

(432)

Increase (decrease) in accrued employee benefits

(598)

85

Dividends paid

(2,695)

(1,239)

Special contribution to Canada

(12,325)

(12,325)

(16,078)

(13,911)

INVESTING

Decrease (increase) in investments in a business  
held for resale

62

(3,598)

Decrease in long-term investments

5,750

6,822

Acquisition of fixed assets (net)

(7,012)

(18,022)

Decrease in deposits on land sold

—

(355)

Acquisition of other assets (net)

(1,323)

—

(2,523)

(15,153)

Net cash outflow

(3,462)

(5,949)

Cash position, beginning of year

16,474

22,423

Cash position, end of year

\$13,012

\$16,474

Represented by:

Cash

\$ 310

\$ 252

Short-term investments

12,702

16,222

\$13,012

\$16,474

December 31, 1991

1.  
DESCRIPTION  
OF BUSINESS

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2.  
ACCOUNTING  
POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

**Investments in a Business Held for Resale:** In 1990, the Corporation, and a subsidiary created for this purpose, acquired a business operating a harbour in Contrecoeur. Since the date of acquisition, the Corporation has intended to resell the assets of this business, other than the land, which are held by the subsidiary. In accordance with generally accepted accounting principles, the Corporation does not include its investment in the subsidiary in the consolidation. As a result, the investment is presented at cost and estimated net realizable value.

**Investments:** Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

**Materials and Supplies:** Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

**Fixed Assets:** Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

**Pension Costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

**Grants in Lieu of Municipal Taxes:** Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

**Employee Benefits:** The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3.  
INVESTMENTS

Funds are invested in direct and guaranteed securities of Canada. As at December 31, 1991, the market value of the short-term investments is equivalent to their amortized cost, and the market value of long-term investments is \$32,645,919 (\$35,135,092 in 1990).

4.				1991	1990
INVESTMENTS				in thousands of dollars	
IN A BUSINESS	Common shares			\$ 1	\$ 1
HELD FOR RESALE	Advances, without terms of repayment			3,535	3,597
				\$ 3,536	\$ 3,598

5.				1991	1990
FIXED ASSETS				in thousands of dollars	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	—	\$ 38,585	\$ —	\$ 38,585	\$ 37,529
Dredging	2.5%	16,178	13,221	2,957	3,242
Berthing structures	2.5%	60,125	42,097	18,028	20,622
Buildings	2.5% – 10%	70,179	34,209	35,970	38,066
Utilities	3.3% – 10%	19,394	9,244	10,150	9,318
Roads and surfaces	2.5% – 10%	63,131	22,728	40,403	39,372
Machinery and equipment	5% – 20%	58,443	43,898	14,545	15,685
Office furniture and equipment	20%	4,181	2,769	1,412	1,296
		330,216	168,166	162,050	165,130
Projects under construction		5	—	5	197
		\$330,221	\$168,166	\$162,055	\$ 165,327

6.				1991	1990
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES				in thousands of dollars	
	Special contribution to Canada			\$ —	\$ 12,325
	Current portion of loans from Canada			488	460
	Deferred revenue			523	828
	Other			5,676	8,115
				\$ 6,687	\$ 21,728

7.				1991	1990
LOANS FROM CANADA				in thousands of dollars	
	Loans, 6.25%, payable to 2000 in annual installments of \$842,561 including interest			\$ 5,669	\$ 6,129
	Current portion			488	460
				\$ 5,181	\$ 5,669
	Principal repayment requirements over the next five years amount to:				
	1992	1993	1994	1995	1996
	\$488,249	\$518,765	\$551,187	\$585,636	\$ 622,238

8.				1991	1990
CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS				in thousands of dollars	
	Accounts receivable			\$ 1,614	\$ (766)
	Materials and supplies			36	11
	Accounts payable and accrued liabilities			(2,744)	1,258
	Grants in lieu of municipal taxes			(2,192)	2,150
				\$ (3,286)	\$ 2,653

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**9.  
CONTINGENCIES**

Claims aggregating approximately \$2,500,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

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**10.  
COMMITMENTS**

- a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at \$160,000.
- b) In accordance with a Canada policy concerning payment of dividends, the Corporation would be required to pay a dividend, in respect of the 1991 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1992, would amount to approximately \$1,500,000 and would be applied against retained earnings.

---

**11.  
RELATED PARTY  
TRANSACTIONS**

In the ordinary course of business, the Corporation enters into transactions with related parties, including the business held for resale, Canada and its agencies and other Crown corporations.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges and rental income and management fees. The expenses paid to related parties are principally administration fees.

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**12.  
COMPARATIVE  
FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

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**BOARD OF  
DIRECTORS**

**André Gingras \***  
Chairman  
Chairman of the Board  
André Gingras & associés Inc.  
Westmount, Que.

**Bernard J. Finestone \***  
Vice-Chairman  
President  
Finestone & Sons Ltd.  
Westmount, Que.

**Roger Bishop**  
Longshoremen's Union  
CUPE/Local 375  
Brossard, Que.

**Suzanne Brochu**  
Communications Officer  
Caisse de dépôt et placement du Québec  
Montréal, Que.

**Raphaël Esposito \***  
Notary  
Esposito & associés  
Montréal, Que.

**Réjean Gagné**  
President  
Famcorp Inc.  
Montréal, Que.

**Hubert F. Pichet**  
Lawyer  
Deveau, Lavoie & associés  
Laval, Que.

\* Executive Committee

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**OFFICERS OF  
THE CORPORATION**

**André Gingras**  
Chairman

**Dominic J. Taddeo**  
President and Chief Executive Officer

**Roger Dubé**  
Vice-President, Administration

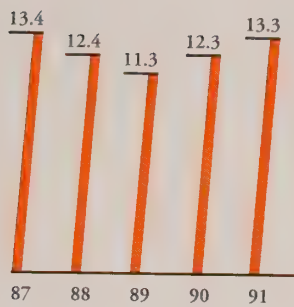
**Normand Fillion**  
Vice-President, Marketing

**Michel L. Lesage**  
Vice-President, Operations

**Jean Mongeau**  
Corporate Secretary

**Sylvie Vachon**  
Director of Human Resources

Total traffic  
T(million)



PRINCE RUPERT PORT CORPORATION



JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND  
THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER



The Prince Rupert Port Corporation is pleased to report activities and results for the 1991 fiscal year.

During 1991, the port has continued to focus on strategic issues which affect the future development and utilization of its facilities. The port has also continued its

intensive marketing program to ensure that all possible business opportunities are explored. To enhance this initiative, the Corporation has been working closely with officials from CN Rail, the port's terminal operator, and the City of Prince Rupert in an attempt to diversify its cargo and optimize use of port facilities.

As a result of these efforts, the port was able to secure a contract for the shipment of copper concentrate through its facilities at Fairview Terminal. In addition to this contract, the port has continued to explore other cargo opportunities for the future development and utilization of its facilities.

Another important initiative taken during the year was the Corporation's active involvement in ensuring continued passenger transportation between Alaska and northern British Columbia. The port is working closely with the City of Prince Rupert to bring the property and operation under local ownership and control. With this initiative, we expect to be able to facilitate an enhanced operation to serve Prince Rupert for an extensive period of time.

Total throughput at the Port of Prince Rupert in 1991 totalled 13.3 million tonnes, which is an eight percent increase over the 1990 results. The port's near record throughput (the highest was 13.4 million tonnes in 1987) can be attributed largely to the continued strength of grain shipments through the Prince Rupert Grain Terminal located on Ridley Island. Grain shipments through the facility for calendar year 1991 were 5.13 million tonnes, reflecting an increase of 17 percent over the corresponding period in 1990. Coal shipments through Ridley Terminals Inc. facility on Ridley Island experienced a modest increase of four percent during 1991. Despite the forest industry's continued depressed markets, export shipments of woodpulp from Skeena Cellulose facility on Watson Island remained stable for the year.

Traffic at the port owned Fairview Terminal has continued to suffer as a result of economic conditions. Lumber shipments through the terminal decreased by

18 percent to approximately 480,000 tonnes. However, on the brighter side, shipments of ore concentrate via Fairview Terminal showed a dramatic increase of over 82 percent in 1991. This increase reflects the Corporation's successful attempt in attracting new concentrate shippers during the year.

The number of ferry passengers through the port increased in 1991 from 1990's figure of 177,731 to 233,633. This includes ferry passengers travelling to Alaska on the Alaska Marine Highways Ferry and passengers within British Columbia travelling between Port Hardy on Vancouver Island and the northern terminus of Prince Rupert.

The Port of Prince Rupert is pleased to announce its 1991 financial results. Operating revenues show a four percent increase to \$14.8 million. Operating income was \$2.5 million, down from \$2.8 million in 1990. Net income was \$1.3 million, which was down 35 percent from 1990's total of \$2.0 million.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors, and the shareholder, that the Corporation made considerable progress in achieving its objectives, and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

In conclusion, the port would like to thank everyone involved in waterfront activity in Prince Rupert for their effort and dedication during 1991. We are confident that the challenges of the upcoming year will be met with this continued effort and involvement from local authorities and the shipping industry. With the ongoing support and commitment of the City of Prince Rupert, the port will continue to expand and develop in order to meet the needs of its new and existing customers.



Donald H. Seidel (left)  
and Donald H. Krusel

Donald H. Seidel  
Chairman of the Board

Donald H. Krusel  
General Manager and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1991 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and the results of its opera-

tions and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

*Peat Marwick Thorne*

Chartered Accountants  
New Westminster, B.C.  
January 31, 1992

## BALANCE SHEET

As at December 31, 1991

### ASSETS

#### Current assets

Cash	\$ 152,261	\$ 254,462
Investments (note 2)	5,734,831	5,337,094
Accounts receivable (note 4)	5,191,425	2,227,574
Materials and supplies	222,003	209,615

#### Property and equipment (note 3)

11,300,520	8,028,745
103,075,675	104,024,593

\$114,376,195 \$112,053,338

### LIABILITIES AND EQUITY OF CANADA

#### Current liabilities

Accounts payable and accrued liabilities	\$ 328,174	\$ 282,641
Payable to Canada (note 4)	3,545,675	2,174,570
Grants in lieu of municipal taxes	572,283	441,397
Deferred revenues	222,204	201,004
Current portion of loans from Canada	331,659	300,873
	4,999,995	3,400,485

#### Long-term debt

Recoverable contribution from Canada (note 4)	48,300,000	48,300,000
Loans from Canada (note 5)	16,547,339	16,878,998
	64,847,339	65,178,998

#### Equity of Canada

Contributed surplus	31,311,805	31,311,805
Surplus	13,217,056	12,162,050
	44,528,861	43,473,855

\$114,376,195 \$112,053,338

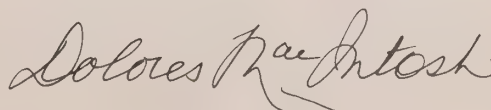
#### Commitments (note 6)

See accompanying notes to financial statements.

Approved by the Board:



Donald H. Seidel  
Chairman of the Board



Dolores D. MacIntosh  
Vice-Chairman of the Board

**STATEMENT OF  
EARNINGS  
AND SURPLUS**

*For the year ended December 31, 1991*

	1991	1990
Revenue from operations	\$14,752,698	\$14,195,949
Expenses		
Operating and administrative	9,338,810	9,272,992
Depreciation	2,389,763	1,652,365
Grants in lieu of municipal taxes	582,910	439,826
	12,311,483	11,365,183
Earnings from operations	2,441,215	2,830,766
Other earnings (expense)		
Interest income	623,206	1,000,973
Gain (loss) on disposal of property and equipment	1,025	(283,573)
Interest expense	(1,762,410)	(1,554,732)
	(1,138,179)	(837,332)
Net earnings	1,303,036	1,993,434
Surplus, beginning of year	12,162,050	11,142,677
	13,465,086	13,136,111
Dividend to Canada	248,030	974,061
Surplus, end of year	\$13,217,056	\$12,162,050

See accompanying notes to financial statements.

**STATEMENT OF  
CHANGES IN  
FINANCIAL POSITION**

*For the year ended December 31, 1991*

	1991	1990
Cash provided by (used in):		
Operations		
Net earnings	\$1,303,036	\$1,993,434
Items not involving cash		
Depreciation	2,389,763	1,652,365
Loss (gain) on disposal of property and equipment	(1,025)	283,573
Changes in non-cash operating working capital		
Accounts receivable	(2,963,851)	(902,284)
Materials and supplies	(12,388)	(98,836)
Accounts payable and accrued liabilities	45,534	(3,034,371)
Grants in lieu of municipal taxes	130,886	(59,477)
Deferred revenues	21,200	27,523
	913,155	(138,073)
Financing		
Increase in payable to Canada	1,371,105	309,837
Increase (decrease) in loans from Canada	(300,873)	12,679,871
Dividend to Canada	(248,030)	(974,061)
	822,202	12,015,647
Investment		
Purchase of property and equipment	(1,440,846)	(8,186,185)
Proceeds on disposal of property and equipment	1,025	—
	(1,439,821)	(8,186,185)
Increase in cash position	295,536	3,691,389
Cash position, beginning of year	5,591,556	1,900,167
Cash position, end of year	\$5,887,092	\$5,591,556
Cash position is defined as:		
Cash	\$152,261	\$254,462
Investments	5,734,831	5,337,094
Cash position	\$5,887,092	\$5,591,556

See accompanying notes to financial statements.

**LOCAL PORT CORPORATION**

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

**1. SIGNIFICANT ACCOUNTING POLICIES**

- (a) **Investments:** The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.
- (b) **Property and Equipment:** Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:
- |                                |             |
|--------------------------------|-------------|
| Dredging                       | 5%          |
| Berthing structures            | 2.5% – 10%  |
| Buildings                      | 5% – 10%    |
| Roads and surfaces             | 3.3% – 10%  |
| Utilities                      | 5% – 10%    |
| Machinery and equipment        | 5% – 100%   |
| Office furniture and equipment | 20% – 33.3% |
- (c) **Pension Costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.
- (d) **Grants in Lieu of Municipal Taxes:** The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.
- (e) **Employee Benefits:** The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

**2. INVESTMENTS**

	1991	1990
Amortized cost	\$5,734,831	\$5,337,094
Market value	\$5,742,975	\$5,277,293

**3. PROPERTY AND EQUIPMENT**

			1991	1990
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 64,099,197	\$ –	\$ 64,099,197	\$ 64,099,197
Dredging	306,049	25,025	281,024	296,521
Berthing structures	36,316,408	5,636,705	30,679,703	31,998,971
Buildings	3,720,957	942,053	2,778,904	2,362,529
Roads and surfaces	6,759,758	3,398,513	3,361,245	3,850,601
Utilities	3,381,945	2,505,203	876,742	1,037,070
Machinery and equipment	2,382,637	1,472,166	910,471	232,122
Office furniture and equipment	349,109	260,720	88,389	147,582
	\$117,316,060	\$14,240,385	\$103,075,675	\$104,024,593

**4. RECOVERABLE CONTRIBUTION FROM CANADA**

A recoverable contribution of \$50,400,000 was approved for the construction of the infrastructure for the coal terminal facility on Ridley Island. The recoverable contribution as at December 31, 1991 is \$48,300,000.

The total recoverable contribution was interest-free until April 1, 1989, thereafter it bears interest of approximately 13.9%. Principal and interest on \$48,300,000 of the contribution are repayable in annual instalments over a 20-year period commencing April 1, 1989, contingent upon the revenues received from a direct coal throughput surcharge of \$.492129 per tonne for 1991 (1990 – \$.463111 per tonne), (escalating with the rate of increase in the Consumer Price Index) at a minimum throughput of 6,600,000 tonnes but not to exceed 12,000,000 tonnes per year. On April 1, 2009, it is anticipated that the unpaid balance of the contribution, if any, will be forgiven by the Government of Canada.

As the Corporation acts as an intermediary between Ridley Terminals Inc. and the Government of Canada, the surcharge revenues and interest payments are not reflected in the Corporation's statement of earnings. Rather, they are reflected on the balance sheet as accounts receivable, and payable to Canada.

As at December 31, 1991, the Corporation has recorded approximately \$3,545,675 (1990, \$2,175,000) in connection with the above surcharge.

5.		1991	1990
<b>LOANS</b>			
<b>FROM CANADA</b>	Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	\$16,878,998	\$17,179,871
	Less portion included in current liabilities	331,659	300,873
		<b>\$16,547,339</b>	<b>\$16,878,998</b>

Principal payment requirements over the next five years are as follows:

1992	\$ 332,000
1993	366,000
1994	403,000
1995	444,000
1996	490,000
	<b>\$ 2,035,000</b>

6.	The Corporation rents its premises under a long-term operating lease which expires April 30, 1994.
<b>COMMITMENTS</b>	The future rental payable to the expiry date is as follows:

1992	\$ 81,264
1993	\$ 81,264
1994	\$ 27,088

7.	(a) During the year, the Corporation recognized lease revenue of \$1,810,830 (1990, \$1,654,584) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1991, accounts receivable included \$3,942,465 (1990 - \$741,675) from Ridley Terminals Inc.
<b>RELATED PARTY TRANSACTIONS</b>	(b) During the year, the Corporation paid \$560,668 (1990, \$534,884) to Canada Ports Corporation as its share of that Corporation's head office expense.

#### BOARD OF DIRECTORS

**Donald H. Seidel \***  
Chairman  
Business Manager  
Prince Rupert, B.C.

**Dolores D. MacIntosh \***  
Vice-Chairman  
Property Manager  
Prince Rupert, B.C.

**John T. Payne \*/\*\***  
General Manager  
Universal Stores Inc.  
Prince Rupert, B.C.

**John D. McNish \*\***  
Manager  
Credit Bureau of Prince Rupert  
Prince Rupert, B.C.

**William B. Hick**  
Physician (Retired)  
White Rock, B.C.

**Ronald A. Ciccone \*\***  
Agent  
Mutual Life of Canada  
Prince Rupert, B.C.

**Donald Brown**  
Lawyer  
Terrace, B.C.

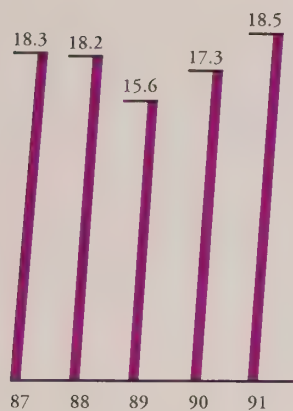
\* Executive Committee  
\*\* Audit Committee

#### OFFICERS OF THE CORPORATION

**Donald H. Seidel**  
Chairman  
**Donald H. Krusel**  
General Manager and Chief Executive Officer  
**Peter Turner**  
Manager, Operations/Harbour Master

**David Shearer**  
Manager, Engineering and Maintenance  
**Heather McLean**  
Corporate Secretary

Total traffic  
T(million)



PORT OF QUÉBEC CORPORATION



JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD  
AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



The Port of Québec Corporation is pleased to present its annual report for 1991, a year in which remarkable commercial and financial results have been achieved.

In cooperation with its private sector partners, the Corporation has again promoted the development of its deep-water competitive advantage. As part of this strategy, which is designed to ensure long-term growth in port activities in Québec, a \$13.2 million investment was announced to construct a cleaning system at the grain terminal operated by Bunge of Canada. In addition, the inauguration of a dry bulk terminal at Beauport confirms Québec's role as the main transshipment port for the Great Lakes.



Guy Boulanger (left)  
and Ross Gaudreault

Following the installation of the cleaning system, the cost of which will be shared between the Corporation and Bunge of Canada, grain can be carried by train to Québec directly from the western provinces without having to be processed at the cleaning equipment in Thunder Bay. When the Great Lakes are closed to shipping, the Canadian Wheat Board will be able to export via the Port of Québec and thus avoid the current double-handling costs.

The bulk terminal, which was constructed at a cost of \$15 million, includes a 1,000-meter long conveyor system to facilitate transshipment operations and also to allow cargo to be transferred directly from ship-to-ship. This investment places the Port of Québec in an excellent position to attract new traffic.

1991 was a record year for the Port of Québec with 18.5 million tonnes handled, compared with 17.3 million in 1990. The port broke its record of 18.3 million tonnes of cargo set in 1987.

There was traffic growth in the grain sector, which saw an increase from 4.2 million tonnes in 1990 to 7.4 million tonnes in 1991. A good harvest in western Canada, the increase in international sales on markets served by the ports in the east and the quality of service offered by Bunge of Canada contributed to this performance. There was also a major increase of more than 40 percent in general cargo handled, 465,900 tonnes compared with 324,000 tonnes in 1990. There was also an increase in granite shipments as well as forest and dairy products. The year was also marked by the handling of an exceptional quantity of special cargoes

such as Bombardier rail cars for the Eurotunnel, tanks for the Luralco aluminum smelter and electrical cable for Hydro Québec.

The Port of Québec also had a record year for visits by cruise ships, welcoming some 51,000 passengers in 1991 compared with 35,000 in 1990. Many ships were making their first visit, including the famous Rotterdam, Sea Princess and Crystal Harmony.

The only black spot in the picture is the handling of concentrates such as iron ore, which has been hit hard by the recession. Activity in this sector decreased from 2.3 million tonnes of concentrate transshipped at the port's docks in 1990 to 1.2 million tonnes in 1991.

Given the difficult economic situation in the first quarter of 1991, the Port of Québec Corporation has applied a series of measures designed to bring order to its finances. The results for the year includes operating revenue of \$15.7 million and net operating income of \$354,000. The Corporation's net income, including investment income, increased to \$1.5 million.

We are pleased to inform the shareholder that the necessary control measures were applied to allow the Corporation to achieve its objectives.

In 1991, there was a breath of optimism in the Port of Québec. Several businesses at the port displayed their confidence by implementing major projects. We need only mention the construction of a new chemical fertilizer terminal at Anse au Foulon by the Coopérative Fédérée de Québec and enlargement of the Intertank IMTT terminal to handle liquid bulk at Beauport.

Port management shares this confidence and we shall spare no effort to develop our assets during the coming years. We would like to congratulate the Corporation's employees and our partners in the private sector on the results achieved in 1991.

Guy Boulanger, f.c.a.  
Chairman of the Board

Ross Gaudreault  
President and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1991 and the statements of income, contributed capital, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the

Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

*Peat Marwick Thorne*

Chartered Accountants  
Québec, Québec  
February 7, 1992

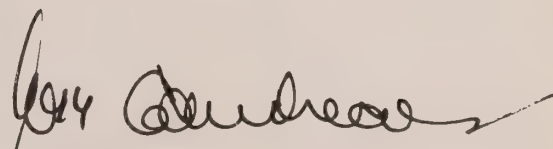
## BALANCE SHEET

<i>As at December 31, 1991</i>	1991	1990
<b>ASSETS</b>		
Current Assets		
Cash	\$ 327,608	\$ 806,291
Investments (note 1)	730,555	1,909,823
Accounts receivable	5,652,836	2,505,927
Materials and supplies	153,212	153,864
	6,864,211	5,375,905
Investments (note 1)	—	6,729,236
Long-term receivable (note 2)	226,505	—
Fixed assets (note 3)	55,271,630	55,701,730
	\$62,362,346	\$67,806,871
<b>LIABILITIES AND EQUITY OF CANADA</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,220,232	\$ 3,530,662
Contribution payable to Canada	—	5,665,000
Grants in lieu of municipal taxes	221,157	185,654
Deferred revenues	834,773	850,172
	3,276,162	10,231,488
Long-term		
Accrued employee benefits	951,000	971,700
Equity of Canada		
Contributed capital	51,852,198	51,852,198
Surplus	6,282,986	4,751,485
	58,135,184	56,603,683
	\$62,362,346	\$67,806,871
Contingencies (note 6)		
Commitments (note 7)		

On behalf of the Board:



Guy Boulanger, f.c.a.  
Chairman of the Board



Ross Gaudreault  
President and Chief Executive Officer

STATEMENT OF INCOME	For the year ended December 31, 1991	1991	1990
Revenue from operations		\$15,693,675	\$11,460,609
Expenses			
Operating and administrative		11,235,444	10,692,721
Depreciation		3,032,452	2,173,736
Grants in lieu of municipal taxes		1,071,037	865,496
		15,338,933	13,731,953
Income (loss) from operations		354,742	(2,271,344)
Investment income		252,534	2,169,951
Net income (loss) before unusual items		607,276	(101,393)
Gain on settlement of grants in lieu of municipal taxes		—	157,211
Gain on disposal of a building		229,801	—
Gain on disposal of investments		694,424	—
		924,225	157,211
Net income		\$ 1,531,501	\$ 55,818

STATEMENT OF CONTRIBUTED CAPITAL	For the year ended December 31, 1991	1991	1990
Balance at beginning of year		\$51,852,198	\$63,182,198
Contribution to Canada		—	(11,330,000)
Balance at end of year		\$51,852,198	\$51,852,198

STATEMENT OF SURPLUS	For the year ended December 31, 1991	1991	1990
Surplus at beginning of year		\$ 4,751,485	\$ 4,775,125
Net income		1,531,501	55,818
Dividend to Canada		—	(79,458)
Surplus at end of year		\$ 6,282,986	\$ 4,751,485

STATEMENT OF CHANGES IN FINANCIAL POSITION	For the year ended December 31, 1991	1991	1990
Cash provided by (used for):			
Operations			
Net income		\$ 1,531,501	\$ 55,818
Items not affecting cash			
Amortization of discount on Canada Government bonds		—	(26,345)
Depreciation		3,032,452	2,173,736
Gain on disposal of fixed assets		(241,388)	(36,443)
Gain on disposal of investments		(694,424)	—
Write-off of projects under construction		964,307	—
Accrued employee benefits		(20,700)	81,700
		4,571,748	2,248,466
Changes in non-cash operating working capital (note 4)		(10,101,583)	6,358,148
		(5,529,835)	8,606,614
Investment			
Additions to fixed assets		(3,690,004)	(16,414,650)
Long-term receivable		(226,505)	—
Proceeds from disposal of fixed assets		364,733	65,629
Proceeds from disposal of investments		7,423,660	—
		3,871,884	(16,349,021)
Financing			
Contribution to Canada		—	(11,330,000)
Dividend to Canada		—	(79,458)
		—	(11,409,458)
Decrease in cash position		(1,657,951)	(19,151,865)
Cash position at beginning of year		2,716,114	21,867,979
Cash position at end of year		\$ 1,058,163	\$ 2,716,114
Cash position is represented by:			
Cash		\$ 327,608	\$ 806,291
Investments		730,555	1,909,823
		\$ 1,058,163	\$ 2,716,114

# NOTES TO FINANCIAL STATEMENTS

December 31, 1991

## GENERAL

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income tax.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Investments:** Investments are direct securities guaranteed by Canada. They are presented at amortized cost and the premiums or discounts are amortized over the periods to maturity.

**Fixed Assets:** Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets. Depreciation is calculated on the straight-line basis commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5% – 6.7%
Berthing structures	2.5% – 10%
Buildings	2.5% – 10%
Utilities	3.3% – 10%
Roads and surfaces	2.5% – 10%
Machinery and equipment	5% – 20%
Office furniture and equipment	20%

**Pension Costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

**Insurance:** The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

**Grants in Lieu of Municipal Taxes:** The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

**Employee Benefits:** The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

## 1. INVESTMENTS

Investments, which are direct securities guaranteed by Canada, are as follows:

	1991		1990	
	Cost	Market Value	Cost	Market Value
Current	\$ 730,555	\$ 730,555	\$ 1,909,823	\$ 1,909,588
Long-term	\$ –	\$ –	\$ 6,729,236	\$ 7,176,618

## 2. LONG-TERM RECEIVABLE

	1991	1990
Receivable from a company, without interest, cashable in January 1994	\$ 226,505	\$ –

## 3. FIXED ASSETS

	1991		1990	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 11,098,253	\$ –	\$ 11,098,253	\$ 11,098,253
Dredging	4,561,341	4,035,490	525,851	553,912
Berthing structures	23,835,959	17,943,425	5,892,534	5,673,150
Buildings	35,138,152	17,039,052	18,099,100	17,652,314
Utilities	19,282,963	3,310,253	15,972,710	1,434,263
Roads and surfaces	6,123,543	4,519,154	1,604,389	1,818,418
Machinery and equipment	830,251	439,178	391,073	437,320
Office furniture and equipment	1,624,810	910,495	714,315	930,313
Projects under construction	973,405	–	973,405	16,103,787
	\$ 103,468,677	\$ 48,197,047	\$ 55,271,630	\$ 55,701,730

4.		1991	1990
<b>CHANGES IN</b>	Accounts receivable	\$ (3,146,909)	\$ (630,723)
<b>NON-CASH</b>	Materials and supplies	652	(11,826)
<b>OPERATING</b>	Accounts payable and accrued liabilities	(1,310,430)	1,781,287
<b>WORKING CAPITAL</b>	Contribution payable to Canada	(5,665,000)	5,665,000
	Grants in lieu of municipal taxes	35,503	(478,346)
	Deferred revenues	(15,399)	32,756
		<b>\$ (10,101,583)</b>	<b>\$6,358,148</b>

**5.  
RELATED PARTY  
TRANSACTIONS**

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues of \$1,059,000 in 1991 from related entities (\$878,000 in 1990). The expenses paid to related parties mainly consist in reimbursements of \$842,000 (\$803,000 in 1990) to Canada Ports Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of \$253,000 (\$2,170,000 in 1990) and realized a gain on disposal of investments of \$694,000 on Government of Canada securities.

The Corporation has accounts payable of \$242,000 (\$281,000 in 1990) and accounts receivable of \$149,000 (\$64,000 in 1990) with the same related parties.

**6.  
CONTINGENCIES**

Claims aggregating approximately \$1,000,000 have been received by the Corporation in respect to lawsuits and various other matters in dispute. In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

In addition, claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

**7.  
COMMITMENTS**

The Corporation has authorized the construction of a cleaning system for grain. Costs are estimated to \$13,200,000 and will be shared equally between the Corporation and Bunge. As at December 31, 1991, costs incurred by the Corporation amount to \$111,000.

**BOARD OF  
DIRECTORS**

**Guy Boulanger, f.c.a.\***  
Chairman  
Partner  
Caron Bélanger Ernst & Young  
Québec, Que.

**Raymond Stuart McBain\***  
Vice-Chairman  
President  
Ver-Mac Inc.  
Sainte-Foy, Que.

**Denise Rancourt-Bélanger**  
Lawyer  
Lévis, Que.

**Yvon Dolbec \***  
Chairman  
Dolbec Y. Logistique Int'l Inc.  
Sainte-Foy, Que.

**Claude Gagné \***  
Sales Representative  
Toshiba of Canada Ltd.  
Vanier, Que.

**Roméo Savard**  
Foreman  
International Longshoremen's Association  
Québec, Que.

**André Sarasin**  
Senior Vice-President  
Engineering and Development  
Les produits forestiers Daishowa  
Québec, Que.

\* Executive Committee

**OFFICERS OF THE  
CORPORATION**

**Guy Boulanger, f.c.a.**  
Chairman  
**Ross Gaudreault**  
President and Chief Executive Officer

**Louis-Philippe Cormier**  
Director, Administration

**Mario Bernard, C.A.**  
Director, Finance

**Yvon Bureau**  
Director, Operations

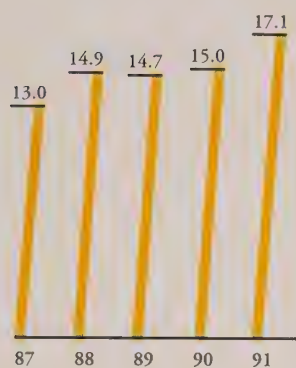
**Marc Dulude**  
Director, Marketing  
**Raymond Leclerc**  
Director, Engineering and Maintenance

**André Boulet**  
Director, Police

**Dave Johanson**  
Director, Promotion

**Gary Q. Ouellet, Q.C.**  
Corporate Secretary

Total traffic  
T (million)



SAINT JOHN PORT CORPORATION



JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND  
THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER



Kenneth R. Krauter (left)  
and Harry P. Gaunce

The Saint John Port Corporation is pleased to report on accomplishments in fulfilling the 1991 objectives of the Corporation. Financial viability of the Corporation was maintained and substantial progress was made on facilities development. An active marketing program is generating new traffic and developing diversification opportunities for the port.

The Corporation also strengthened its commitment to the environment and built upon its partnership relations with key organizations in the port and the community. Through these achievements, the Corporation made measurable progress in fulfilling its mandate and further enhancing Saint John as a major transportation centre.

Profitability of the Corporation was sustained through 1991. On revenues of \$11.3 million, the Corporation reported an operating income of \$615,000.

Interest expense of \$1.6 million on federal debt obligations was partially offset by investment income of \$1.1 million to yield a net income of \$110,000.

Capital project expenditures amounted to \$9.1 million.

Traffic through the port reached a record level of 17.1 million tonnes on the strength of significantly increased petroleum shipments of 14.1 million tonnes. Potash increased by three percent to 1.5 million tonnes and forest products through Corporation facilities also increased by three percent to 760,000 tonnes. Container traffic declined by a few percentage points to 110,000 tonnes. Salt shipments equalled the 1990 level of 171,000 tonnes. Other cargo movements declined by almost 60 percent to 134,000 tonnes due to the lack of grain, steel and petroleum coke shipments. Two shipping lines initiated service between Saint John and Africa, and cruise ships brought increasing number of passengers during the year.

The Corporation undertook one of the largest capital works projects of recent years. A 10,000 square meter transit shed was added to the forest products terminal. This \$8.1 million project also included major changes to road and rail access to the terminal and utilities improvements. Improved fender piles were provided at Rodney Container Terminal at a cost of \$360,000. Major maintenance projects including shed painting and berth face repairs totalling almost \$1 million were completed at Pugsley Terminal.

A strengthened commitment to the environment was made by the Corporation during the year. Action was taken to begin the development of a port Environment Plan which will address all aspects of the physical environment in the port area. Access to the waterfront for residents and tourists in Saint John was provided in the downtown area with the construction and opening of Pugsley Park.

One of the highlights of the year was the opportunity to host the Pulp and Paper International Transportation Symposium. This major convention brought over 600 senior executives from twenty-three countries to Saint John and provided an opportunity to showcase the pulp and paper facilities available in the port and the Saint John area. The Corporation was also pleased with the recognition received from the American Association of Port Authorities' by receiving two Awards of Excellence for a color advertisement series and promotional material.

We are most appreciative of the continued support of the many customers of the Port of Saint John. The contribution of numerous people and organizations working in the port was essential to our continued success and we recognize their efforts with our sincere gratitude. The dedication of the Corporation's employees is highly valued as well as their commitment to the fulfilment of Corporate objectives. The support throughout the year of the City of Saint John and the Province of New Brunswick is appreciated. With this broad base of commitment and support, we look forward to further achievements in the coming year.

Harry P. Gaunce  
Chairman of the Board

Kenneth R. Krauter  
General Manager and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

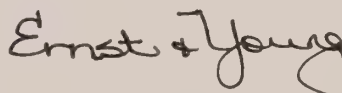
We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1991 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the

Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.



Chartered Accountants  
Saint John, New Brunswick  
January 30, 1992

## BALANCE SHEET

As at December 31, 1991

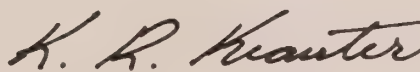
	1991	1990
	<i>in thousands of dollars</i>	
<b>ASSETS</b>		
Current		
Cash	\$ 62	\$ -
Investments (note 3)	4,016	13,386
Accounts receivable	1,300	1,182
Materials and supplies	26	28
	5,404	14,596
Long-term		
Long-term investments (note 3)	1,490	962
Fixed assets (note 4)	82,282	76,503
	83,772	77,465
<b>Total assets</b>	<b>\$89,176</b>	<b>\$92,061</b>
<b>LIABILITIES AND EQUITY OF CANADA</b>		
Current		
Bank indebtedness	\$ -	\$ 50
Accounts payable and accrued charges	1,909	1,760
Deferred revenues	331	521
Grants in lieu of municipal taxes	120	40
Due to Canada (note 5)	-	2,455
Current portion of deferred interest contribution	713	623
	3,073	5,449
Long-term		
Loans from Canada (note 6)	20,052	20,052
Financing provided by a province (note 7)	19,696	19,696
Accrued employee benefits	570	481
Deferred interest contribution (note 8)	-	708
	40,318	40,937
	43,391	46,386
<b>Equity of Canada</b>		
Contributed capital (note 5)	44,462	44,462
Retained earnings	1,323	1,213
	45,785	45,675
<b>Total liabilities and equity of Canada</b>	<b>\$89,176</b>	<b>\$92,061</b>

See accompanying notes.

On behalf of the Board:



Harry P. Gaunce  
Chairman of the Board



Kenneth R. Krauter  
General Manager and Chief Executive Officer

STATEMENT OF  
INCOME  
AND RETAINED  
EARNINGS

*For the year ended December 31, 1991*

1991 1990

*in thousands of dollars*

Revenues from operations	\$11,312	\$11,882
Expenses		
Operating and administrative	7,122	7,787
Grants in lieu of municipal taxes	731	587
Depreciation	2,336	2,585
Loss on disposal of fixed assets	508	745
	10,697	11,704
Income from operations	615	178
Investment income	1,102	1,668
Interest expense (note 8)	(1,607)	(1,590)
Net income	110	256
Retained earnings, beginning of year	1,213	957
Retained earnings, end of year	\$ 1,323	\$ 1,213

See accompanying notes.

**STATEMENT  
OF CASH FLOWS**

*For the year ended December 31, 1991*

**1991**

**1990**

*in thousands of dollars*

Cash provided by (used in)		
Operations		
Net income	\$ 110	\$ 256
Add items not requiring a cash payment		
Depreciation	2,336	2,585
Loss on disposal of fixed assets	508	745
Other	86	53
	3,040	3,639
Net change in non-cash working capital balances (note 9)	(2,442)	911
	598	4,550
Financing		
Deferred interest contribution	(708)	1,331
Capital grants	500	—
Contribution to Canada	—	(4,910)
Due to Canada	—	2,455
	(208)	(1,124)
Investing		
Additions to fixed assets	(9,123)	(1,550)
Long-term investments	(525)	—
Proceeds on disposal of fixed assets	—	34
	(9,648)	(1,516)
Increase (decrease) in cash	(9,258)	1,910
Cash position, beginning of year	13,336	11,426
Cash position, end of year	\$ 4,078	\$13,336

Cash position consists of cash, short-term investments and bank indebtedness.  
See accompanying notes.

# NOTES TO FINANCIAL STATEMENTS

December 31, 1991

## 1. CANADA PORTS CORPORATION ACT AND INCORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation — Port of Saint John.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Investments:** The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

**Fixed Assets:** Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets. Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates
Dredging	2.5% – 6.7%
Berthing structures	2.5% – 10.0%
Buildings	2.5% – 10.0%
Utilities	3.3% – 10.0%
Roads and surfaces	2.5% – 10%
Machinery and equipment	5.0% – 100.0%
Office furniture and equipment	20.0%

**Pension Costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

**Grants in Lieu of Municipal Taxes:** The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

**Employee Benefits:** The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

## 3. INVESTMENTS

Investments are direct and guaranteed securities of Canada as follows:

	1991		1990	
	in thousands of dollars			
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$ 4,016	\$ 4,058	\$13,386	\$14,009
Canada Bonds	\$ 1,490	\$ 1,520	\$ 962	\$ 1,000

4.			1991	1990
<b>FIXED ASSETS</b>			<i>in thousands of dollars</i>	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 30,679	\$ —	\$ 30,679	\$ 30,426
Dredging	1,967	1,536	431	451
Berthing structures	64,554	31,890	32,664	33,307
Buildings	11,722	5,975	5,747	6,185
Utilities	7,963	4,280	3,683	3,720
Roads and surfaces	5,335	4,607	728	817
Machinery and equipment	833	553	280	189
Office furniture and equipment	1,250	1,016	234	282
Work under construction	7,836	—	7,836	1,126
	<b>\$132,139</b>	<b>\$ 49,857</b>	<b>\$ 82,282</b>	<b>\$ 76,503</b>

5.		1991	1990
<b>CONTRIBUTED CAPITAL</b>		<i>in thousands of dollars</i>	
	Contributed capital, beginning of year	\$ 44,462	\$ 49,372
	Contribution to Canada	—	(4,910)
	Contributed capital, end of year	<b>\$ 44,462</b>	<b>\$ 44,462</b>

During 1990, the Federal Government required payment of \$4.91 million from the Corporation as a contribution toward Federal Government deficit reduction. At December 31, 1990 \$2.455 million was outstanding, and was paid early in 1991.

6.		1991	1990
<b>LOANS FROM CANADA</b>		<i>in thousands of dollars</i>	
	Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	<b>\$ 20,052</b>	<b>\$ 20,052</b>

7.	The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1991 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately \$1,129,000.
<b>FINANCING PROVIDED BY A PROVINCE</b>	

8.	During 1990 the Federal Government advanced the Corporation \$2,000,000 to offset interest payments in 1990, 1991 and 1992 on the \$6,665,000 debt owed to the Federal Government with respect to Rodney Terminal.
<b>DEFERRED INTEREST CONTRIBUTION</b>	The original amount of the advance plus the interest earned (\$286,000) will be available to fund interest payments required over the three year period. The deferred interest credit will be absorbed on a straight line basis over the period. The funds on hand at December 31, 1991 \$713,000, are available to reduce interest expense in 1992. Interest expense for 1991 was reduced by approximately \$756,000 as a result of the application of the deferred credit.

9.		1991	1990
<b>NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES</b>		<i>in thousands of dollars</i>	
	Decrease (increase) in current assets		
	Accounts receivable	\$ (118)	\$ 145
	Materials and supplies	2	17
		(116)	162
	Increase (decrease) in current liabilities		
	Accounts payable and accrued charges	149	650
	Deferred revenues	(190)	143
	Grants in lieu of municipal taxes	80	(44)
	Due to Canada	(2,455)	—
	Current portion of deferred interest contribution	90	—
		(2,326)	749
		\$(2,442)	\$ 911

10.	During the year the Corporation paid \$841,000 (1990 – \$803,000) to Canada Ports Corporation as its share of that Corporation's head office expense.
<b>RELATED PARTY TRANSACTIONS</b>	

**BOARD OF  
DIRECTORS**

**Harry P. Gaunce \***  
Chairman  
President  
Armstrong & Bruce Insurance Limited  
Saint John, N.B.

**Henry Meinhardt \*/\*\***  
Vice-Chairman  
President  
Fundy Ventilation Ltd.  
Saint John, N.B.

**Edgar R. Cohen \*\***  
Owner  
Hoffman's Limited  
Saint John, N.B.

**Fernand Lanteigne \*\*\***  
Owner/General Manager  
Les Chantiers Nord-Est Ltee  
Societe du cable de la Peninsule  
Caraquet, N.B.

**Albert Vincent \*\*\***  
Councillor  
City of Saint John  
Saint John, N.B.

**Shirley A. McAlary \*/\*\***  
Agent  
Air Canada  
Saint John, N.B.

**Robert M. Scott \*\*\***  
Owner  
R. M. Scott Insurance Agency Ltd.  
Saint John, N.B.

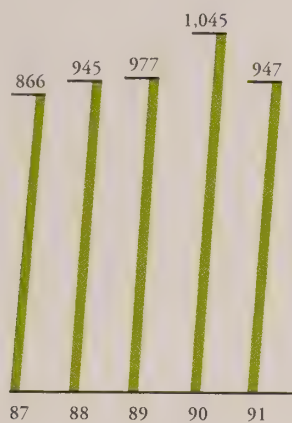
\* Executive Committee  
\*\* Human Resources and Compensation Committee  
\*\*\* Audit Committee

**OFFICERS OF  
THE CORPORATION**

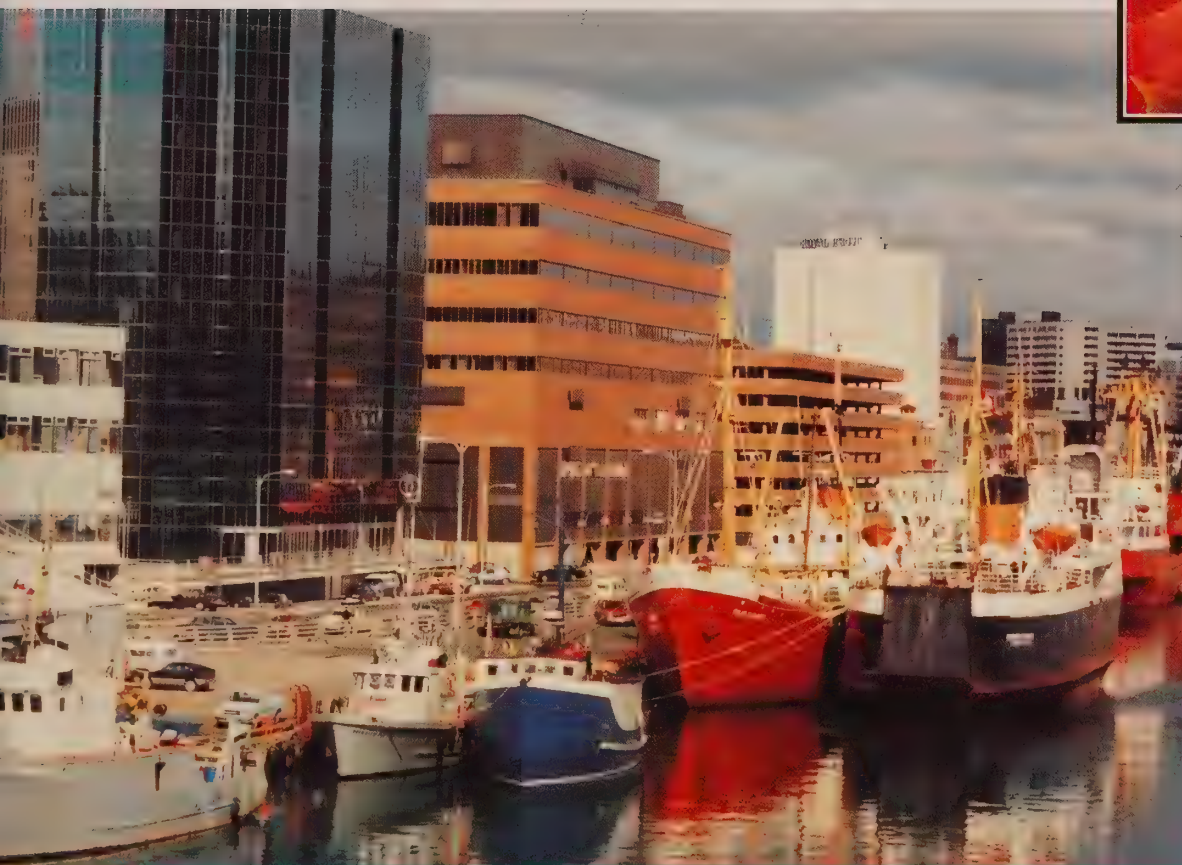
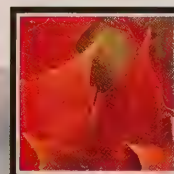
**Harry P. Gaunce**  
Chairman  
  
**Henry Meinhardt**  
Vice-Chairman  
  
**Kenneth R. Krauter**  
General Manager and Chief Executive Officer

**R. Adam McBride**  
Assistant General Manager  
  
**Peter D. Clark**  
Director, Marketing  
  
**Ardith L. Bartlett**  
Corporate Secretary

Total traffic  
T(thousand)



ST. JOHN'S PORT CORPORATION



**JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD  
AND THE PORT MANAGER AND CHIEF EXECUTIVE OFFICER**



Even though activity in the Port of St. John's declined in 1991, the Corporation was successful in meeting the profit objective. Net income of \$820,000 was 14 percent over budget and 11 percent over 1990 results.

Total vessel arrivals for 1991 decreased by five percent and tonnage at 947,000 tonnes was down by nine percent compared to 1990. Container tonnage was down by 16 percent, but trailer tonnage was on a par with last year, and the total number of trailers handled was up by 20 percent. The expansion of the terminal, completed in 1990, was carried out to handle additional trailer traffic and the increase in this type of traffic was a positive development. The decrease in container tonnage through the port was partly due to the state of the economy and also the result of lost tonnage to other ports, as the shipping line from Halifax to St. John's had one of its vessels recalled to carry cargo to the Gulf War.



*Fred M. Milley (left)  
and David J. Fox*

Small vessel activity continued in 1991, but due to the many problems facing the fishing industry, fish landings by these vessels at the port were only half of the volume achieved in 1990; approximately 30 million pounds compared to 60 million pounds the previous year.

In accordance with the port's statutory obligation, we are pleased to inform the Board of Directors and the shareholder, that all necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets and to achieve our Corporate objectives.

As stated in the Corporate Plan, an overall objective is to strengthen the financial position of the port while providing services to meet the needs of the business environment. 1991 was a very difficult year and staff and Directors of the Corporation were pleased that we exceeded our profit objective. Economic difficulties will continue in 1992 and business will face some very difficult challenges.

The Corporation proposed a general tariff increase to become effective January 1, 1992, but due to difficult economic conditions, this proposed increase was reconsidered and the Board subsequently approved a recommendation to postpone this action for the year 1992.

Plans were in place to construct a maintenance garage at the Container Terminal; this was placed on hold pending a decision on the use of property adjoining the

terminal. The development of a Land Use Management Plan was completed during the year and will be the guide for future port expansion.

The development of human resources was enhanced with the completion of the Human Resources Plan. This document, including updated job descriptions, should serve the requirements of the Corporation for many years. Support for staff members in upgrading and developing skills will be continued. Port marketing efforts, which are directed primarily at the local business community, are proceeding according to plan and will be continued. Plans are in place to work jointly with the City to encourage additional cruise ships to call at the port.

Reconstruction and structural improvements were carried out at Pier 17, with completion of Phase 1 of the project at a cost of \$650,000. Phase 2 of this project will be continued in 1992. Port expansion will be contingent on the requirement for facilities to service offshore supply vessels involved with Hibernia production. Discussions with parties interested in bidding on the project are ongoing and we will continue our efforts in this area as we endeavour to obtain this business for the port. We feel that location and facilities will support our efforts to obtain this traffic.

Future challenges will require initiative and innovation, as well as a co-operative atmosphere within the port community and the city, in order to benefit from the economic spin-off available from offshore oil production. By meeting these challenges, the outcome can be very positive for St. John's.

The Board wishes to thank all staff members for the contribution and restraint that was evident during a difficult year. By continuing this approach during depressed economic conditions, we should be able to achieve the objectives presented to the shareholder.

Fred M. Milley  
Chairman of the Board

David J. Fox, P. Eng.  
Port Manager and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of the St. John's Port Corporation as at December 31, 1991 and the statements of income and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the

Corporation as at December 31, 1991, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.



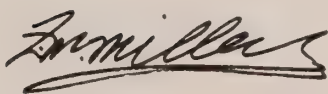
Chartered Accountants  
St. John's, Newfoundland  
February 7, 1992

## BALANCE SHEET

<i>As at December 31, 1991</i>	1991	1990
<b>ASSETS</b>		
Current		
Cash	\$ 31,951	\$ 29,289
Investments (Note 3)	3,250,658	2,495,892
Accounts receivable	511,738	528,987
Due from Canada	—	66,000
	3,794,347	3,120,168
Fixed (Note 4)	14,029,662	14,134,876
	<b>\$17,824,009</b>	<b>\$17,255,044</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 240,674	\$ 377,493
Grants in lieu of municipal taxes	139,037	47,104
Deferred revenues	361,210	337,911
Current portion of loans from Canada	264,689	241,331
	1,005,610	1,003,839
Accrued employee benefits	153,675	121,160
Loans from Canada (Note 5)	2,406,106	2,670,795
	<b>3,565,391</b>	<b>3,795,794</b>
<b>EQUITY OF CANADA</b>		
Contributed capital	10,131,636	10,131,636
Surplus	4,126,982	3,327,614
	<b>14,258,618</b>	<b>13,459,250</b>
	<b>\$17,824,009</b>	<b>\$17,255,044</b>

Contingencies (Note 6)

On behalf of the Board:



Fred M. Milley  
Chairman of the Board



David J. Fox, P. Eng.  
Port Manager and Chief Executive Officer

**STATEMENT OF  
INCOME AND  
SURPLUS**

*For the year ended December 31, 1991*

	1991	1990
Revenue from operations	\$ 3,428,662	\$ 3,351,142
Operating and administrative expenses	1,703,617	1,619,361
Depreciation	828,692	889,114
Grants in lieu of municipal taxes	91,933	53,662
	2,624,242	2,562,137
Income from operations	804,420	789,005
Investment income	298,885	249,991
Interest expense	(280,185)	(301,480)
Net income	823,120	737,516
Surplus, beginning of year	3,327,614	2,590,098
	4,150,734	3,327,614
Dividend to Canada	23,752	-
Surplus, end of year	\$ 4,126,982	\$ 3,327,614

**STATEMENT OF  
CHANGES IN  
FINANCIAL  
POSITION**

*For the year ended December 31, 1991*

	1991	1990
Cash provided from (used for)		
Operating activities		
Net income	\$ 823,120	\$ 737,516
Depreciation	828,692	889,114
Other non-cash items	32,515	29,669
	1,684,327	1,656,299
Changes in		
Accounts receivable	17,249	(158,210)
Due from Canada	66,000	9,095
Accounts payable and accrued liabilities	33,029	(36,764)
Grants in lieu of municipal taxes	91,933	729
Deferred revenues	23,299	36,673
Current portion of loans from Canada	23,358	21,295
	1,939,195	1,529,117
Financing activities		
Change in construction payables	(169,848)	163,911
Capital grants		1,324,905
Loans from Canada	(264,689)	(241,331)
	(434,537)	1,247,485
Investing activities		
Proceeds on disposals of fixed assets	1,068	8,335
Purchase of fixed assets	(724,546)	(1,572,708)
	(723,478)	(1,564,373)
Dividend to Canada	(23,752)	-
Net cash provided	757,428	1,212,229
Cash and short term investments, beginning of year	2,525,181	1,312,952
Cash and short term investments, end of year	\$ 3,282,609	\$ 2,525,181

# NOTES TO FINANCIAL STATEMENTS

December 31, 1991

1. In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.  
In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of St. John's to the St. John's Port Corporation.
2. **SIGNIFICANT ACCOUNTING POLICIES**
- Investments:** The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.
- Fixed Assets:** Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets. Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates indicated in Note 4.
- Pension Costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.
- Grants in Lieu of Municipal Taxes:** The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.
- Employee Benefits:** The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

## 3. INVESTMENTS

	1991		1990	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$ 3,250,658	\$ 3,328,900	\$ 2,495,892	\$ 2,532,400

## 4. FIXED ASSETS

		1991		1990	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	—	\$ 4,735,248	—	\$ 4,735,248	\$ 4,735,248
Berthing structures	2.5–10%	10,096,942	\$ 6,081,695	4,015,247	3,691,604
Buildings	2.5–10%	1,910,603	1,365,577	545,026	592,743
Utilities	3.3–10%	3,339,207	1,099,269	2,239,938	2,155,621
Roads and surfaces	2.5–10%	3,968,589	1,759,936	2,208,653	2,531,198
Machinery and equipment	5–100%	309,170	132,843	176,327	192,217
Office furniture and equipment	20%	254,871	180,038	74,833	68,501
Projects under construction		34,390	—	34,390	167,744
		\$24,649,020	\$10,619,358	\$14,029,662	\$14,134,876

5.		1991	1990
<b>LOANS FROM CANADA</b>	Term loans, bearing interest at 9.33% to 10.015%, maturing between 1997 and 2000, repayable in equal annual instalments of principal and interest of \$521,516.	<b>\$ 2,670,795</b>	<b>\$ 2,912,126</b>
	Principal instalments payable within one year	<b>264,689</b>	<b>241,331</b>
		<b>\$ 2,406,106</b>	<b>\$ 2,670,795</b>

The loans from Canada are unsecured.

Annual principal repayments in each of the next five years are as follows:

1992	\$ 264,689
1993	290,309
1994	318,412
1995	349,238
1996	383,050

<b>6.</b>	Claims aggregating approximately \$364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.
<b>CONTINGENT LIABILITIES</b>	

<b>7.</b>	During the year, the Corporation received advances on a capital grant from the Federal Government in the amount of \$66,000 (1990 – \$1,334,000).
<b>RELATED PARTY TRANSACTIONS</b>	During the year the Corporation paid \$233,238 (1990 – \$222,512) to Canada Ports Corporation as its share of that Corporation's head office expense.

<b>8.</b>	Certain of the 1990 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1991.
<b>COMPARATIVE FIGURES</b>	

#### BOARD OF DIRECTORS

**Fred M. Milley \*/\*\***  
Chairman  
St. John's, Nfld.

**Faith Good \*/\*\***  
Vice-Chairman  
St. John's, Nfld.

**Basil H. Jamieson \*\*\***  
City Councillor,  
City of St. John's  
St. John's, Nfld.

**Paul Reynolds \*\*\***  
Specialist-Business Development  
Ultramar Canada Inc.  
St. John's, Nfld.

**Michael Walsh \*/\*\***  
General Chairman  
Transportation Communication International Union  
(Retired)  
St. John's, Nfld.

**Thomas Doyle \*/\*\***  
Sales Associate  
Royal LePage Real Estate Services Ltd.  
St. John's, Nfld.

**Arthur Puddister \*\*\***  
Manager  
Puddister Trading Company  
St. John's, Nfld.

\* Executive Committee

\*\* Executive and Compensation Committee

\*\*\* Audit Committee

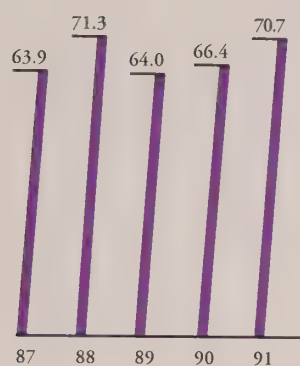
#### OFFICERS OF THE CORPORATION

**Fred M. Milley**  
Chairman  
**Faith Good**  
Vice-Chairman  
**David J. Fox, P. Eng.**  
Port Manager and Chief Executive Officer

**Brian Scott**  
Manager, Finance and Administration  
**Captain Henry Flight**  
Harbour Master  
**Keith F. Rose**  
Corporate Secretary



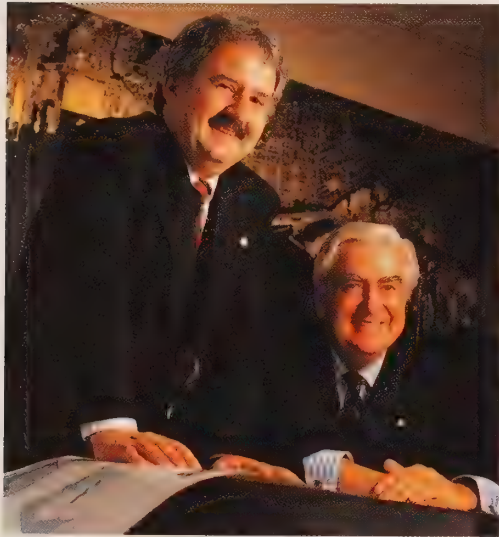
Total traffic  
T(million)



VANCOUVER PORT CORPORATION



**JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD  
AND THE PORT MANAGER AND CHIEF EXECUTIVE OFFICER**



*Captain Norman C. Stark (left)  
and Patrick Reid*

In a year during which the Port of Vancouver posted record and near-record performances, the Vancouver Port Corporation (VPC) moved on several fronts to prepare the port for new opportunities and competitive challenges. Innovative pricing structures were implemented and new environmental appraisal processes were tested. Marketing teams were dispatched abroad.

Considerable thought and money were invested in improving and planning facilities. All added up to impressive achievements for the Port of Vancouver in 1991.

A combination of intensified marketing efforts, terminal improvements and "incentive rates" led an aggressive pursuit of containerized cargo. The incentive rate program began with the implementation of "box rate" pricing and entered a second stage when volume rebates and "First Port of Call" discounts were announced. Adding to Vancouver's capability as a container port, contracts were let for the purchase of a fourth container crane at Centerm and for the extension of the Centerm dock.

Customer confidence was reflected in a 19 percent increase over 1990 as our two container terminals posted a combined throughput of 383,563 TEUs. Containerized tonnage jumped 22 percent to a total of 3.3 million tonnes.

The 1991 all sector total of 70.7 million tonnes represented the port's second strongest performance ever. Ongoing high demand for western Canadian resource commodities pushed the port to its near-record. Bulk exports were led by coal topping 25 million tonnes and grain climbing to 13.4 million tonnes, offsetting decreases in potash and sulphur of 10 percent and seven percent respectively. Forest product shipments held steady during 1991 with a 32 percent increase in pulp shipments countering an eight percent drop in lumber.

A record was also set by the port's cruise business, as the Vancouver-Alaska cruise sailed to a ninth-straight season high of 423,928 revenue passengers.

The "Team" approach to marketing was carried through 1991 when separate delegations comprised of senior port executives and labor/employer representatives visited key customer markets in Asia and Europe. VPC added to its roster of agents by establishing marketing representation in Europe.

"Sister Ports" Vancouver and Yokohama had reason to celebrate in 1991 as the healthy and active relationship entered its 10th year. The anniversary was marked by ceremonies on both shores of the Pacific.

VPC's new Environmental Appraisal Procedures and public consultation were put to the test when the review panel process was invoked to assess and make recommendation on a private-sector potash facility expansion. On tanker traffic, VPC took delivery of its year-long "Tanker Risk Analysis" and presented recommendations to industry and the public.

The Corporation also became one of five signatories and financial supporters of the five-year, \$2 million Burrard Inlet Environmental Action Program.

Creating a climate for sustainable growth continued to be a priority for VPC as it progressed to Phase Two of its "PORT 2010" land management program. The aim is to set development priorities and create mechanisms to ensure the port's responsiveness to customer demand with an expedient and fair Development Permit Process.

Record statistics translated into a continued strong financial performance by the Corporation. Net income decreased marginally from \$30 million in 1990 to \$29 million in 1991. VPC's capital investments of \$8 million were dominated by ongoing terminal improvement projects and preliminary expenditures on new initiatives.

VPC management and staff rose to the challenges of 1991, proving they are ready to help navigate the Port of Vancouver through further change as it turns the corner for 1992. We must now focus firmly on action to increase the competitiveness of the Port of Vancouver, both in bulk and container traffic.

**Patrick Reid, O.C.**  
Chairman of the Board

**Captain Norman C. Stark**  
Port Manager and Chief Executive Officer

## AUDITORS' REPORT

To the Honourable Jean Corbeil, P.C., M.P.  
Minister of Transport

We have audited the balance sheet of Vancouver Port Corporation as at December 31, 1991 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the

Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations and the charter and by-laws of the corporation.



Chartered Accountants  
Vancouver, British Columbia  
February 5, 1992

## BALANCE SHEET

As at December 31, 1991

### ASSETS

#### Current assets

Cash	\$ 980	\$ 529
Investments (note 2)	95,811	89,123
Accounts receivable	11,687	9,387
Materials and supplies	361	364

108,839 99,403

#### Long-term receivables (note 3)

8,273 6,264

#### Property and equipment (note 4)

201,605 202,214

\$318,717 \$307,881

### LIABILITIES AND EQUITY OF CANADA

#### Current liabilities

Accounts payable and accrued liabilities	\$ 7,695	\$ 3,639
Special payment to Canada (note 7)	-	17,865
Grants in lieu of municipal taxes	8,692	4,631
Deferred revenues	3,401	2,890

19,788 29,025

#### Accrued employee benefits

1,463 1,427

#### Loan from Canada (note 5)

2,990 3,256

24,241 33,708

#### Equity of Canada

Contributed capital	88,273	88,273
Retained earnings	206,203	185,900

294,476 274,173

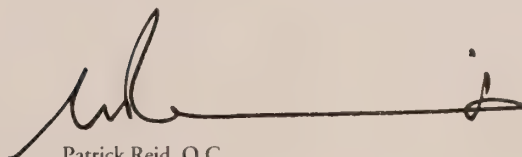
#### Contingencies (note 6)

#### Commitments (note 8)

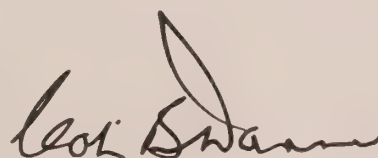
\$318,717 \$307,881

See accompanying notes to financial statements.

On behalf of the Board:



Patrick Reid, O.C.  
Chairman of the Board



Colin B. Warner, C.A.  
Director

**STATEMENT  
OF INCOME AND  
RETAINED  
EARNINGS**

*For the year ended December 31, 1991*

**1991**

**1990**

*in thousands of dollars*

Operating revenue	\$ 61,089	\$ 57,904
Expenses		
Operating and administrative expenses	27,656	24,231
Grants in lieu of municipal taxes	6,278	5,926
Depreciation	8,439	7,864
	42,373	38,021
Income from operations	18,716	19,883
Investment income	8,247	10,644
Interest expense	(263)	(297)
	7,984	10,347
Income before unusual item	26,700	30,230
Adjustment of grants in lieu of municipal taxes	2,322	—
Net income	29,022	30,230
Retained earnings, beginning of year	185,900	199,557
	214,922	229,787
Special payment to Canada (note 7)	—	(35,730)
Dividend payment to Canada	(8,719)	(8,157)
Retained earnings, end of year	\$206,203	\$185,900

See accompanying notes to financial statements.

**STATEMENT OF  
CHANGES  
IN FINANCIAL  
POSITION**

*For the year ended December 31, 1991*

**1991**

**1990**

*in thousands of dollars*

Cash provided by (used for):

Operations

Net income

**\$ 29,022**

**\$ 30,230**

Items not involving cash:

Depreciation

**8,439**

**7,864**

Other

**101**

**328**

Changes in non-cash operating working capital

**(11,535)**

**15,826**

**26,027**

**54,248**

Financing

Loan from Canada currently payable

**(266)**

**(248)**

Dividend payment to Canada

**(8,719)**

**(8,157)**

Special payment to Canada (note 7)

**—**

**(35,730)**

**(8,985)**

**(44,135)**

Investments

Additions to property and equipment

**(7,988)**

**(11,021)**

Other

**(1,915)**

**492**

**(9,903)**

**(10,529)**

Increase (decrease) in cash and investments

**7,139**

**(416)**

Cash and investments, beginning of year

**89,652**

**90,068**

Cash and investments, end of year

**\$ 96,79**

**\$ 89,652**

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

December 31, 1991

The Vancouver Port Corporation was established effective July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act* and is a parent Crown corporation named in Schedule III, Part II of the *Financial Administration Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime exports and imports through the Port of Vancouver in the best interests of Canadians, and, in so doing, provide a gateway to world trade — in particular the Pacific Rim — which customers are eager to use and which has wide public support."

## 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) **Property and Equipment:** Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(b) **Pension Costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

(c) **Grants in Lieu of Municipal Taxes:** Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(d) **Employee Benefits:** The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

## 2. INVESTMENTS

Current investments are in Government of Canada treasury bills and at December 31, 1991 and 1990 the market value of the treasury bills approximated carrying value.

## 3. LONG-TERM RECEIVABLES

	1991	1990
	<i>in thousands of dollars</i>	
Non-interest-bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	\$3,947	\$3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6-3/8% per annum, receivable in blended annual instalments of \$462,916, maturing December 31, 1996	1,917	2,232
Less current portion	(336)	(315)
	1,581	1,917
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5-3/4% per annum, receivable in annual instalments of \$117,720 plus interest, maturing August 1, 1994	353	471
Less current portion	(117)	(118)
	236	353
Receivable for grants in lieu of municipal taxes	1,575	—
Advances for fire protection services	675	—
Other	259	47
	\$8,273	\$6,264

Current portion is reflected in accounts receivable.

4.  
PROPERTY  
AND EQUIPMENT

	1991		1990	
	in thousands of dollars			
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 77,534	\$ —	\$ 77,534	\$ 77,224
Dredging	366	225	141	153
Berthing structures	61,820	28,426	33,394	34,346
Buildings	49,316	13,151	36,165	37,267
Utilities	15,955	7,540	8,415	8,427
Roads and surfaces	34,681	22,085	12,596	13,382
Machinery and equipment	42,765	16,715	26,050	27,196
Office furniture and equipment	3,745	2,603	1,142	1,146
Projects under construction	6,168	—	6,168	3,073
	\$ 292,350	\$ 90,745	\$ 201,605	\$ 202,214

5.  
LOAN  
FROM CANADA

	1991		1990	
	<i>in thousands of dollars</i>			
Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	\$	3,256	\$	3,504
Less current portion (included with accounts payable)		(266)		(248)
	\$	2,990	\$	3,256

Principal repayment requirements over the next five years are as follows:

1992	\$ 266,000
1993	286,000
1994	308,000
1995	331,000
1996	355,000
	\$1,546,000

6.  
CONTINGENCIES

- At December 31, 1991, the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$10.2 million greater than the amount accrued in the financial statements.
- Over a period of years, the Corporation has recorded revenues on certain leases which continue to be unresolved.
- There are estimated claims against the Corporation for approximately \$9 million plus unspecified damages. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of this matter will be accounted for as a prior period adjustment when known.

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**7.  
RELATED PARTY  
TRANSACTIONS**

In addition to the loan from Canada disclosed in Note 4, the Corporation paid \$2,055,000 (1990 – \$1,961,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

The Corporation received notice from Canada Ports Corporation requiring it to make payments totalling \$35.73 million as part of the Federal Government's deficit reduction program announced in the February 20, 1990 budget. Half of this amount was paid in 1990, and the remainder was paid in early 1991.

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**8.  
COMMITMENTS**

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1991 are estimated at \$17.2 million.

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**BOARD OF  
DIRECTORS**

**Patrick Reid, O.C. \***  
Chairman  
Vancouver, B.C.

**Jane E. Frost \*\*/\*\***  
Vice-Chairman  
Vancouver, B.C.

**Laurie G. Maranda \*\*/\*\***  
Vice President  
Choukalos, Woodburn, McKenzie  
Maranda Ltd.  
Vancouver, B.C.

**Richard I. Nelson \*\*/\*\***  
Vancouver, B.C.

**Gary C.H. Short \*\*/\*\***  
Vancouver, B.C.

**Rodney A. Snow \*\*/\*\***  
Barristers & Solicitors  
Davis & Co.  
Vancouver, B.C.

**Colin B. Warner \*\*/\*\***  
Senior Vice President  
Weldwood of Canada Limited  
Vancouver, B.C.

\* Executive Committee  
\*\* Planning & Development Committee  
\*\*\* Public Affairs Committee  
\*\*\*\* Audit & Budget Committee

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**OFFICERS OF  
THE CORPORATION**

**Patrick Reid, O.C.**  
Chairman  
**Jane E. Frost**  
Vice-Chairman  
**Norman C. Stark**  
Port Manager and Chief Executive Officer  
**Thomas A. Shortridge**  
Deputy Port Manager

**Donald G. Buggie**  
Assistant Port Manager,  
Management Services  
**David J. Clarke**  
Assistant Port Manager,  
Business Development  
**Warren D. McCrimmon**  
Director, Legal Services and Corporate Secretary

2884016

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

**The Honourable A.R. Huntington\***  
Chairman  
Vancouver, B.C.

**William Marsh**  
Vice-Chairman  
Sydney, N.S.

**Jean Michel Tessier**  
President and Chief Executive Officer  
Canada Ports Corporation  
Ottawa, Ont.

**Dr. John Balkwill**  
Kanata, Ont.

**Robert Dowling**  
President, Cavell Drugs Ltd.  
Jasper, Alta.

**André Gingras**  
Chairman  
Montréal Port Corporation  
Montréal, Que.

**Benedict J. Kuzmicz**  
Candiac, Sask.

**Richard K. Lester**  
Vancouver, B.C.

**A.R. "Sandy" MacLean**  
Mayor  
Dalhousie, N.B.

**C. Peter MacLean**  
Antigonish, N.S.

**Arnold E. Masters**  
Montréal, Que.

**Donald A. Parker**  
Chairman  
Halifax Port Corporation  
Halifax, N.S.

**James B. Powers**  
President and General Manager  
Labrador Construction Co. Ltd.  
St. John's, Nfld.

**Patrick Reid, O.C.**  
Chairman  
Vancouver Port Corporation  
Vancouver, B.C.

**Jean Riou**  
Attorney  
Jolin, Fournier, Morisset  
Sainte-Foy, Que.

**Wallace S. Turnbull, Q.C.**  
Partner  
Clark, Drummie & Company  
Saint John, N.B.

**Robert H. Vandewater**  
Vice President and Sr. Account Executive  
Wood Gundy Inc.  
Winnipeg, Man.

## EXECUTIVE COMMITTEE

**Chairman**  
The Honourable A.R. Huntington\*

**Members**  
André Gingras  
William Marsh  
Arnold E. Masters  
Donald A. Parker

Jean Michel Tessier  
Wallace S. Turnbull, Q.C.  
Robert H. Vandewater

## AUDIT COMMITTEE

**Chairman**  
Robert H. Vandewater

**Members**  
Robert Dowling  
A.R. "Sandy" MacLean

C. Peter MacLean  
James B. Powers

## CORPORATE PLANNING AND BUDGETING COMMITTEE

**Chairman**  
James B. Powers

**Members**  
Robert Dowling  
Richard K. Lester  
Arnold E. Masters

Jean Riou  
Wallace S. Turnbull, Q.C.

## POLICE COMMITTEE

**Chairman**  
Dr. John Balkwill

**Members**  
D. Cassidy (Member at large)  
Robert Dowling  
The Honourable K.A. Flanigan  
(Member at large)  
The Honourable A.R. Huntington\*

The Honourable R. Marin  
(Member at large)  
Donald A. Parker  
Jean Michel Tessier

## POLICY AND LEGISLATION IMPLEMENTATION COMMITTEE

**Chairman**  
Wallace S. Turnbull, Q.C.

**Members**  
Dr. John Balkwill  
André Gingras  
The Honourable A.R. Huntington\*  
William Marsh

Arnold E. Masters  
Donald A. Parker  
Jean Michel Tessier

## OFFICERS OF THE CORPORATION

**The Honourable A.R. Huntington\***  
Chairman of the Board

**William Marsh**  
Vice-Chairman

**Jean Michel Tessier**  
President and  
Chief Executive Officer

**Hassan J. Ansary, Ph.D.**  
Executive Vice President

**Robert W. Tytaneck**  
Vice President,  
Finance and Administration

**Vacant**  
Vice President, Legal/Realty

**Christos Sampson**  
Director General, Police

**Théophile Lauzon**  
Senior Port Manager

**Nicole Sauvé**  
Acting Corporate Secretary

\*retired November 28, 1991



## Mailing Addresses

### Canada Ports Corporation

**Port of Belledune**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Port of Churchill**  
P.O. Box 217  
Churchill, Man.  
R0B 0E0  
Tel.: (204) 675-8823

**Port Colborne**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Port of Prescott**  
c/o National Office  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

**Port Saguenay/Baie des Ha! Ha!**  
Lafontaine Street  
P.O. Box 760  
Chicoutimi, Que.  
G7H 5E1  
Tel.: (418) 543-0263

**Port of Sept-Îles**  
421 Arnaud Street  
Sept-Îles, Que.  
G4R 3B3  
Tel.: (418) 968-1231

**Port of Trois-Rivières**  
1545 du Fleuve Street  
P.O. Box 999  
Trois-Rivières, Que.  
G9A 5K2  
Tel.: (819) 378-3939

**National Office**  
99 Metcalfe Street  
Ottawa, Ont.  
K1A 0N6  
Tel.: (613) 957-6787

### Local Port Corporations

**Halifax Port Corporation**  
Ocean Terminals  
P.O. Box 336  
Halifax, N.S.  
B3J 2P6  
Tel.: (902) 426-3643

**Montréal Port Corporation**  
Port of Montréal Building  
Cité de Havre, Wing No. 1  
Montréal, Que.  
H3C 3R5  
Tel.: (514) 283-7042

**Prince Rupert Port Corporation**  
110-3rd Avenue W.  
Prince Rupert, B.C.  
V8J 1K8  
Tel.: (604) 627-7545

**Port of Québec Corporation**  
150 Dalhousie Street  
P.O. Box 2268  
Québec, Que.  
G1K 7P7  
Tel.: (418) 648-3558

**Saint John Port Corporation**  
133 Prince William Street  
P.O. Box 6429, Stn. A  
Saint John, N.B.  
E2L 4R8  
Tel.: (506) 636-4869

**St. John's Port Corporation**  
3 Water Street  
P.O. Box 6178  
St. John's, Nfld.  
A1C 5X8  
Tel.: (709) 772-4582

**Vancouver Port Corporation**  
1900-200 Granville Street  
Vancouver, B.C.  
V6C 2P9  
Tel.: (604) 666-8966















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